



City of Fresno, California 44th Comprehensive Annual Financial Report

**For the
Fiscal Year Ended
June 30, 2003**



CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2003

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CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION

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CONTROLLER'S TRANSMITTAL LETTER



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Finance Department
Ruth F. Quinto, CPA
Finance Director/City Controller

December 31, 2003

The Honorable Mayor Alan Autry
The Honorable Members of the City Council
Distinguished Citizens of the City of Fresno
Fresno, California

THE 44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF FRESNO

I am pleased to present the 44th Comprehensive Annual Financial Report (CAFR) of the City of Fresno, California (the City) for the Fiscal Year ended June 30, 2003, with the Independent Auditors' Report, submitted in compliance with City Charter Section 804(c). The CAFR has been prepared by the Controller's Office, in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. I believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

FINANCIAL REPORTING AND FORMATS

The City has prepared its CAFR using the financial reporting requirements as prescribed by GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB 34). This GASB Statement requires that Management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.



Our CAFR is divided into the following sections:

The Introductory Section includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The Financial Section is prepared in accordance with GASB 34 requirements by including the MD&A, the Basic Financial Statements including notes, and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations, and the Fund Financial Statements that present the financial information of each of the City's major funds, as well as non-major governmental, fiduciary, and other funds. Also included in this section is the Independent Auditors' Report on the financial statements and schedules.

In addition to this report, the City is required to undergo an annual "Single Audit" in conformity with the provisions of the Federal Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations and Government Auditing Standards*, issued by the Comptroller General of the United States. Information related to this Single Audit, which includes the schedule of federal financial assistance, findings and recommendations, and independent auditor's report on the internal control structure and compliance with applicable laws and regulations, is included in a separate report.

The Statistical Section includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of the City that is of interest to potential bond investors and other readers. The data is generally presented on a multi-year basis.

THE REPORTING ENTITY AND ITS SERVICES

The City of Fresno (City) was incorporated in 1885, and is located in the Central San Joaquin Valley of California. The City's powers are exercised under the strong-Mayor form of government. Under this system, the Mayor serves as the City's Chief Executive Officer, and is responsible for appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council. The Mayor does not participate in Council deliberations, except by exercising veto power. The City Council serves as the legislative authority, and the Mayor and other independent elected officials serve as the executive authority. The City Council is represented by seven elected councilpersons, one of whom is elected President by the Council for a term of one year. The President is the presiding officer of the Council and will fill any vacancy in the Office of the Mayor. The services provided by the City are the full range of services contemplated in the City Charter. These include public protection (police and fire), construction and maintenance of all public facilities (public works), parks and recreation, public health systems (water, sewer, community sanitation and solid waste utilities), social services, development and planning, tax collection, transportation, and many others.



This CAFR includes the financial activities of the primary government, which encompasses several enterprise activities, as well as all of its component units. Component units include legally separate entities for which the primary government is financially accountable and that have substantially the same governing board as the City or provide services entirely to the City. For reporting purposes, the operations of the Redevelopment Agency of the City of Fresno, and the Joint Powers Financing Authority are blended with the City.

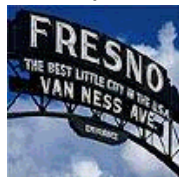
FRESNO'S GOVERNMENT, ECONOMY AND OUTLOOK

Fresno is the county seat of Fresno County and the economic and cultural hub of the fertile Central San Joaquin Valley, a metropolitan region with more than 448,500 residents in the City proper, and over 841,400 in Fresno County. Named after Fresno Creek, "Fresno" in Spanish signifies "ash tree" and it was because of the abundance of mountain ash or ash trees in the county that it received its name. Fresno County is the sixth largest county in land area in the State, encompassing 6,000 square miles. The City of Fresno is the thirty-seventh largest city in the United States and the fifth largest in California. The population of the County has grown by approximately 20% in the past ten years, and boasts more than 90 different nationalities. Over half of all county residents live in the City of Fresno, making it the largest city in the county. The 2000 Federal census showed that racial and ethnic diversity



continues to be robust in the City, with all minority groups combined representing nearly a majority of the City's population. The City currently has a land area of 106 square miles and has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the Council.

The City continues to progress despite challenging economic constraints marked by the sluggish national economy and the unprecedented State fiscal crisis. Despite these challenges, the City continues to



balance its budget while maintaining essential services, including (1) increased commitment to public safety, (2) investing in job creation through economic development, (3) increasing neighborhood infrastructure, and (4) protecting the Emergency Reserve created last year. The City's Honorable Mayor Alan Autry, continues his vision for the citizens of Fresno to build and preserve a city that creates

and protects access to opportunities, education and quality of life for every Fresnan in every neighborhood by adhering to these four primary cornerstones.

The coming year holds a number of uncertainties that could result in long-term negative impacts to the City of Fresno. In addition to the relatively weak economy and the corresponding slow growth in revenues, there looms a potential loss of additional General Fund resources of up to \$13 million in Vehicle License Fees (VLF) backfill that may be taken by the State. The State enacted legislation that deferred the receipt of the City's first quarter VLF backfill in the amount of \$5.078 million. During the development of the State's Fiscal Year 2004 budget, the State solidified its commitment to payback the deferred VLF. To confirm the promise to payback local governments, legislation was constructed, passed and signed by the Governor to affirm the deferral as a loan from cities to the State to be paid back in three years. To mitigate the impact of this reduction, the City's Administration recommended, and the City Council approved the issuance of Bond Anticipation Notes in the amount of \$5.078 million, utilizing the repayment of the loan from the State as collateral. The City is also faced with other financial challenges including increasing demands for infrastructure as outlined by the General Plan, rising operating demands associated with increases in salaries and inflation, coupled with the increasing costs of Worker's Compensation claims.



Other challenges facing our City as identified in the Meeting the Challenge report include:

- ✓ Fresno collects less revenue per capita than all of its' California peer cities.
- ✓ Fresno's citizens pay less per capital in municipal taxes than their California peers.
- ✓ Fresno spends significantly less than its peers in most city service functions, with the notable exception of Police.

Under current economic conditions, the cost to maintain service levels is outpacing growth in City resources. Absent a growing economy, ongoing General Fund service cuts would likely be required as soon as Fiscal Year 2006, even if the State holds us harmless. However, due to prudent actions taken by the Administration and Council over the past two years, the City is in a position to maintain essential services for the next 2 to 3 years despite a continuing economic recession.



Fresno's General Fund is primarily dependent on three revenue sources. The City relies more on property taxes than any of its peer cities such as Bakersfield, San Diego, San Jose, Anaheim, Santa Ana, Sacramento, Long Beach or Oakland. Fresno also relies more on sales taxes than any of its peer cities other than Bakersfield. It relies more on business taxes than any of its peer cities, except for Oakland. Fresno collects less revenue from fees, licenses and permits than any of its peers. Also Fresno does not collect a utility tax, as do more than 150 California cities, collectively

representing a majority of the state's population. For those cities that do collect them, utility taxes provide an average of 15% of General Fund revenues, and often as much as 22%. Fresno also does not collect revenues through assessment districts, a practice used in most peer cities. As might be expected, in an area where property values have only just begun to accelerate, the City's property tax revenues, the single largest source of income for the General Fund, have had only moderate increases over the last five years. From Fiscal Year 2002 to 2003, revenue from property taxes grew by approximately \$798,000, as expected, an increase of approximately 2% from the prior year. Increases in other sources of local tax revenues were also moderate, as expected, with business, sales, and other local taxes increasing by 12.7% to \$87 million.



The Master Fee Schedule contains 3,074 different fees for services that are provided to our citizens. During Fiscal Year 2003, the City Council initiated a study of all of the City's fees. The study was performed for two primary purposes: (1) to determine to what extent the City was recovering its cost for providing fee related services; and (2) to determine what changes would be necessary to recover the cost for providing these services. When a fee does not recover the full cost of providing the service, it results in a subsidy, shifting funds away from the critical, high priority needs of the City such as public safety, economic development and job creation. The Maximus fee study found the 734 fees were not recovering the full cost of the services provided. Before an increase in a fee was considered, the Department responsible for the service was required to show that the services were being provided efficiently and effectively. A number of fees were considered for an increase and were included in the 2004 budget.



The following table summaries the changes in fees included in the 2003–2004 budget:

	<u>Number</u>	<u>Percent</u>
Fees not changed	2,863	94.14%
New fees (formerly subsidized at 100% of cost)	23	0.75%
New Fees (new or additional services offered)	77	2.50%
Fees Increased	103	3.35%
Fees Decreased	8	0.26%
Total Fees	<u>3074</u>	<u>100%</u>
Fees Deleted or Consolidated	<u>33</u>	<u>N/A</u>

The citizens of the City of Fresno deserve this level of analysis and scrutiny with respect to any fee increase. The Master Fee Schedule for Budget Year 2003–2004 sets a new benchmark in how fee adjustments are developed and proposed. This analysis will continue on a go-forward basis.

The State of California continues to face a fiscal crisis of unprecedented proportions. The State has never before experienced budget deficits that approach those of current levels. As a result, local government has had to deal with the negative impacts from State's budgetary actions. There have been deep cuts in revenues for Fresno, as well as every other city in California and more than likely will be others forthcoming. The budget for Fiscal Year 2003–2004 already reflects impacts that are known and reflect the following:

- ✓ Loss of \$1.1 million annually in books fee reimbursements for the Police Department.
- ✓ Loss of \$900,000 in Governors Transportation Improvement Program (GTIP funding for streets and roads).
- ✓ Loss of \$600,000 in annual State Mandated Reimbursements.
- ✓ Indefinite deferral of \$16 million for street improvements.

Clearly the City has a challenging future ahead. However, due to prudent planning such as the issuance of the Bond Anticipation Notes for the known VLF backfill loss and establishing a Reserve for Economic Uncertainty, the City of Fresno is in a better financial condition than many of our peer cities in the State. Because of the actions taken over the past two years, we are in a position to maintain essential services through an economic recession of two to three years.



The combined challenges of the recession and the State's fiscal crisis have required exceptional financial prudence such as the following:

- The Fiscal Year 2004 target budgets for each department's appropriations were held at the adopted 2003 levels with specific exceptions for legal obligations; costs associated with growth in the population; or specifically identified operational imperatives related to performance and tied to a direct revenue source.
- Departments were required to find efficiencies or make cuts in excess of \$13.6 million Citywide, including almost \$7 million in the General Fund that equates to a 4% reduction.
- In addition, departments identified other one-time expenditures that could be put off such as deferring maintenance, delaying investments in technology, and postponing training.

These are not short-term issues that will go away quickly. The environment in which California cities, including Fresno are required to operate, is one that will continue to challenge the City to find the resources necessary to meet the demand for its services.

The problems faced by all California cities are compounded for Fresno due to its persistent unemployment, as previously noted, the worst among cities of comparable size in California and one of the worst in the nation. This unemployment rate is the result of some unique circumstances. One factor is that Fresno's economy is largely based on agriculture. Home to some of the most productive farmland in the world, Fresno County is noted for both the wide variety of its produce and the cash value of that produce. The City of Fresno is the direct beneficiary of this bounty, enjoying an economy whose products are always in demand. The result is that the City of Fresno is less subject to the boom and bust of the business cycle as are some other cities in California. The Fresno economy has been stable for many years. In addition, the cost of living in Fresno was and continues to be one of the lowest in the State. While these are certainly positive factors, there has also been a downside. All of these factors have combined to make Fresno a magnet for agricultural workers whose work is often seasonal, and to newly arrived immigrants to the U.S. This, in part, accounts for Fresno's high growth. Combined, both of these groups constitute a large pool of surplus labor that is reflected in Fresno's traditionally high rate of unemployment. Assimilating its newly arrived residents, and upgrading the job skills of a large pool of under-skilled workers, while at the same time meeting the increased demand for public safety services, provides the City with some major challenges.



Industry employment projections are predicting the largest absolute growth to be in the service industry, government, and retail trade. These are expected to account for approximately 74% of the projected job growth between 1999 and 2006. Jobs in farm related industries are expected to continue to decline.

The solution to this problem demands more than a simplistic statement that Fresno needs more business; it demands a broad perspective and long-term view. The Meeting the Challenge report issued last year, clearly identified job creation as a determining factor to the future health of the City. It requires

investing in our youth, so that they have the educational base to be future productive employees. It requires fees that are reasonable, so that the City encourages businesses to operate in Fresno. Finally, it requires a safe city where businesses and families can prosper. Key economic development projects are underway in Fresno, which include the Roeding Business Park, the Regional Jobs Initiative, and downtown revitalization efforts.

The Mayor has announced that he will be running for a second term in office, and this shows his commitment to the Fresno community remains strong. His passion for growing the youth of today to be the leaders of tomorrow is of utmost importance. He has vowed to continue to promote initiatives that strive to combine a strategy of academic enrichment, youth development, fitness and nutrition, and cultural enrichment. His focus has been and will continue to be job creation and economic development, as well as ensuring our youth are taught the skills that will make them successful contributing members of our community.

Unlike many other cities in California, the cost of living in Fresno is still one of the lowest in the State. With interest rates remaining at historic lows, however, the inventory of available homes is extremely low resulting in higher market prices. The City of Fresno's median home price increased by 22.1% in 2002 to \$146,400, as compared to over \$536,000 in the San Francisco Bay area. There is no evidence of a slowing market on the immediate horizon.



A portion of the market in Fresno is fueled by families selling their more expensive homes in the Bay area and moving to the Valley. As much as 20% of new home sales may be attributed to so-called "equity refugees" from outside of the Fresno area. Demand in Fresno for housing continues to exceed supply with the inevitable result of higher costs. Often homes are selling within hours of going on the market, especially in sought-after older neighborhoods. The 2000 Census reflected a vacancy rate for owner occupied housing units of only 1.9% for the City and 6.4% for renter occupied housing units. Many former rental properties are being sold to owner occupants, thereby causing rental rates to increase on those units still available. Demand continues to outpace supply, with only about 1,000 homes on the market, and with a deficit projected for needed housing units by 2006. Thus, despite its lower cost of living, Fresno is facing the same problem many other California cities are facing, providing enough affordable housing for its residents. Housing is and will continue to remain a critical challenge for the City's policymakers, planners, employers, and residents.

While the City continues to build its budgets on conservative estimates, the outcome of the State's budget crisis has left a cloud of uncertainty over Fresno and what impact is yet to be felt if certain funding sources do not materialize. The Administration and City Council continue to frame all decisions around Contingency Plans that have been developed. The range of possible State actions and resulting cuts across funds is impossible to determine, although it is possible that the City's General Fund will be cut by as much as 10% if the VLF fees are taken from cities. A Contingency Plan, which basically re-frames the options presented in the Meeting the Challenge report issued January 1, 2003, has been developed which includes various alternatives, which can be considered. Those alternatives in order of priority include:



- ✓ Implement additional user fees as originally submitted to Council per the User Fee Study – a number of fees were not adopted at their originally recommended amounts by Council.
- ✓ Seek employee salary "give-back" on a permanent or temporary basis – employee services are more than half of the expenditures of the City's total budget. This means that any meaningful Contingency

Plan that does not cut essential City services by exercising layoffs must include a salary "give-back" option.

- ✓ An "across-the-board" cut of the percentage required to essential service – this has superficial fairness, except for a small cut that is carefully analyzed (as was the case of the 2.5% across the board cut made in February 2003). Anything else could have serious adverse impacts on the delivery of essential services.
- ✓ Determine what programs and departments have priority, and target cuts to those departments or programs that are agreed should be eliminated first. This option would preclude the use of the option above in the event that the General Fund is reduced by more than 3 to 5%. Targeted cuts to those departments or programs, which are selected to be eliminated first requires careful and collaborative analysis.
- ✓ Use of the \$8.5 million in Reserve for Economic Uncertainty. It should be noted that use of the reserve would leave the City even more vulnerable during the remaining 5 to 7 years that it will take the state to climb out of its fiscal crisis. It would be more prudent and responsible to use a significant portion of the reserves to deal with what is likely to be the first in a series of difficult years.
- ✓ A combination of all of the above recommendations. The City is facing some of the most challenging times in its history and the history of the State and Country. By maintaining the Mayor's four cornerstones and coming together as a united community, working together and facing the challenges head on in a conscientious and collaborative effort, we can insure a healthy future for our City.

MAJOR INITIATIVES AND ACHIEVEMENTS

A number of significant initiatives, outlined below, are underway in Fresno. These will have a positive effect on the City's economic health and its services to residents and businesses.

Fresno's Reconnection to its Capitols

What started out as an attempt just to get noticed has turned into a headline-grabbing relationship. The City of Fresno has made tremendous strides to firmly plant itself on the radar screens of Washington, D.C. and Sacramento in 2003.

As a result of the use of "Best Practices", sound leadership and increased lobbying, Fresno took its status to the next level in the respective Capitols. Mayor Alan Autry personally took the lead on this quest for reconnection. He walked the halls of Capital Hill in Washington D.C. to "knock on doors" in order to seek funding, voice the City's concerns, or simply to let Legislators know that the City of Fresno would not be ignored.

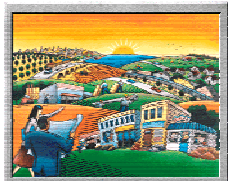


The lawmakers have responded. The City received State and Federal Empowerment Zone status. The Empowerment Zone and Enterprise Community program is designed to afford communities real opportunities for growth and revitalization. The framework of the program is embodied in four key principles:

- *Economic Opportunity*
- *Sustainable Community Development*

- *Community-based Partnerships*
- *Strategic Vision for Change*

The purpose of the Renewal Community/Empowerment Zone/Enterprise Community Initiative offers communities, residents, and businesses, the opportunities and resources to overcome seemingly insurmountable problems. What have been vacant lots or abandoned buildings in the past are being turned into new business complexes and affordable housing. Employment opportunities for residents can be expanded and support services including childcare, education, and healthcare are strengthened, thus enabling residents in our nation's poorest communities to participate more fully in the workforce. The program also provides the substantial tax benefits that are available to businesses that open, expand, or hire residents in designated areas. Also, there are links to resources provided by other federal agencies to these designated communities in the fields of small business assistance, education, health care, youth services and more.



Fresno Yosemite International Airport received \$13 million in grant funding from the Federal Aviation Administration. These monies will help to finance security improvements as well as the development of an air cargo terminal.

In February 2003, the City received more than \$1 million in funding from several agencies of the federal government. A portion, \$450,000 went for facilities construction of the Roeding Business Park. When fully built, the Park has the potential to create over 20,000 jobs. The remaining monies were used to fund the expansion of the City's fleet of clean air buses.

In August, the City and Redevelopment Agency was successful in lobbying The California Infrastructure and Economic Development Bank in Sacramento for a \$4.5 million low interest loan to complete the infrastructure of Roeding Business Park. In addition to these accomplishments, Mayor Alan Autry has been asked to serve on the United States Conference of Mayor's Advisory Board, a group representing mayors from cities with populations of 30,000 or more.



Also, the Mayor was appointed to the newly elected Governor Schwarzenegger's transition team to ensure that the needs and concerns of Fresno and the Central Valley would be addressed.

From January 2001 to September 30, 2003, the Fresno Empowerment Zone has, directly and indirectly, caused the available community incentive to be utilized on 1,017 jobs. Fresno businesses have captured approximately \$30,000,000 in tax credit incentives by utilizing incentive zone credits to hire additional staffing and/or retroactively capture credits for employees hired since receipt of the Empowerment Zone designation.

City's Growth Tops in the State and the Nation

According to former Governor Davis' May 2003 Budget Revision, the City of Fresno trailed only Riverside, California in metro area job growth. In non-agriculture based jobs, Fresno moved faster and grew more than most other cities in the "Golden State." The Budget figures measured the percent change in job growth from March 2001 to March 2003. The figures clearly showed Fresno outpacing such cities as Bakersfield, Modesto, San Diego, Stockton, Los Angeles and San Francisco. This State accolade was then followed up with national recognition for job growth in June.

The Santa Monica-based nonprofit, independent economic "think-tank" Milken Institute, ranked Fresno in the top 10 in the country for job growth. This ranking measured employment growth since December 2001. The City's number eight ranking takes on even more significance when noted that Fresno was rated against the nation's 200 largest cities.

Even with this accomplishment, the City is not going to lessen its determination to achieve even greater success. In the Meeting the Challenge report prepared by the Mayor's Task Force on City Efficiencies and Revenues released January 1, 2003, the most ambitious recommendation was that the City of Fresno take the lead in creating 25,000 to 30,000 new jobs over the next five years.

This new goal, which was quickly endorsed by the City leadership, was at a much larger scale than anything the City could do by itself. A "Regional Jobs Initiative" consisting of collaboration between leaders from private industry, the City of Fresno, the City of Clovis and the County of Fresno was formed in 2003. At a Regional Jobs Summit, held on September 12th, over 280 volunteers, mostly from the private sector, asked tough questions and discussed how such an ambitious goal could be reached. The result was the Fresno Regional Jobs Initiative Implementation Plan.



The Plan laid out in specific detail how and where the 25,000 to 30,000 new jobs would be created and what specific steps would have to be taken to achieve this goal. The average salary for these jobs is expected to be \$29,500. Programs are being designed to train and hire those currently living in the Fresno area that are either unemployed or underemployed.

This huge task requires the full focused attention of every branch of government – from schools, cities, and Fresno County, to the State and Federal governments. The Plan is creating the institutional infrastructure to move forward by adopting some very simple, but difficult to practice, principles. The Plan also recognizes that most jobs are created by the private sector. It also recognizes that jobs created in the public sector further enable and benefit public and private activities. As a result, this effort is a public-private partnership.

Downtown Revitalization and Economic Development

Downtown revitalization ranks high on the list of priorities by the Mayor and other members of City government. Vision 2010 is the City's 8-year comprehensive strategy for revitalizing Fresno's central core. Vision 2010 was embraced by the Council on March 12, 2002. Until the development of this comprehensive plan, revitalization plans and projects for the downtown and the surrounding areas were disjointed and had not been assembled into a single conceptual vision. With the advent of Vision 2010, however, existing plans and projects, along with new initiatives, have been incorporated into a composite image for downtown Fresno.



The results speak for themselves. Almost immediately, there were clear indications that the Mayor's Vision 2010 Plan was well on its way to creating the "New Downtown." A major highlight was the May 1, 2002, grand opening of the long awaited, \$46 million, 12,500 seat municipal stadium. In addition to the stadium, however, there were other improvements including upgraded streets and sidewalks, enhanced lighting and landscaping, with expanded and improved parking facilities. In short, it became clear that after languishing for many years, downtown revitalization was again moving forward.



Construction of the \$250 million Regional Medical Center was accelerated. The centerpiece for the complex is a 6-story, 340,000 square foot Trauma and Critical Care Building. Construction began in the spring of 2001 with an anticipated construction period of three years.



Also in April 2002, construction began on a \$120 million, 450,000 square feet Federal Courthouse that is scheduled for completion in 2004. The steel and glass structure will become the tallest skyscraper in the City.

In addition, there are currently four new office building projects underway in Fresno's downtown: (1) the \$18 million renovation of the Guarantee Building and a new multi-story parking garage for the Internal Revenue Service and Immigration and Naturalization Service; (2) a \$48 million, 11-story office building and parking garage for the IRS and Caltrans; (3) a \$35 million, 6 story office building and parking garage for the IRS; and (4) an \$18 million, 2-story office, and records center, and parking garage. More than 4,230 employees will work at these four facilities. As each of these four facilities is privately owned, with long-term lease agreements, the properties remain on local tax rolls, generating property taxes to support further downtown revitalization efforts.



Dare to Dream

It was big news in 2003, when Fresno's Economic Development Department and Fresno Yosemite Airport announced that the City of Fresno was submitting a proposal to locate the plant for Boeing's new 7e7 "Dreamliner" right here in Fresno. In spite of the fact that the project was awarded elsewhere, with \$900 million in potential capital investment, 1,200 new jobs (just for Boeing) plus an additional requirement for 300 acres of industrial sites for vendors and suppliers, the 7e7 facility was arguably the largest and most aggressive business attraction effort made in the City's recent history. While the 7e7 was a dream shot, it emphasizes the current reality of Economic Development – building a better economy – starts right here at home.



The facts are that companies located in Fresno today will create 70% of all new jobs. The cost of assisting existing firms to expand is a fraction of the costs necessary to recruit new firms to town. With that in mind, Economic Development has focused its efforts on five major areas of activities in 2003:

- Business Attraction – 1,115 new jobs were recruited to Fresno.
- Business Retention – The Economic Development Department developed "Business Basics" workshops. These workshops address the fundamental elements of doing business, organizational structure marketing, utilization of Fresno's incentive zones and a host of other business related issues. To date, training has been provided to more than 60 firms representing over 300 employees.
- Access to Capital – Lead by the "Bankers Roundtable" of Fresno Empowerment Zone, a pool of over \$1 million of Community Reinvestment Act resources has been established. This loan pool is structured to assist smaller firms with micro-loans of up to \$50,000.
- Workforce Development – City workforce development efforts have focused on several endeavors: (1) matching existing workers with existing jobs, and (2) partnering with workforce training groups, organizations and agencies to assure the availability of ready to go workers. The Economic Development Department has been the key sponsor/partner in the staging of two successful job fairs. To date, over 500 work opportunities have been presented to more than 750 workers. The table below summaries the Economic Development opportunities pursued during past several months:

SERVICE AT A GLANCE	
<u>Item</u>	<u>Value</u>
Business Retention	
• No. of businesses contacted	10,400
• No. of instances of direct service	157
• No. of participants in training workshops	158
• No. of jobs saved	455
• Enterprise Zone Vouchers Processed	3126
• Enterprise Zone Voucher Value	\$30,000,000
Business Attraction	
• No. of potential firms contacted	17,500
• No. of sales calls made	264
• No. of pending new firms	12
• No. of new jobs pending	3,500
Access to Capital	
• Amount of loan capital developed	\$1.2 million
• No. of banks participating	9
Workforce Development	
• No. of job fairs produced	2
• No. of job applicants	750
• No. of jobs available	500

A Force for Improving Labor Relations

In January 2003, in response to the growing challenge of the City's financial situation and the impact of the State budget crises, the Mayor established the Labor Management Task Force (LMTF). The LMTF is made up of management and representatives from all eleven of the City's labor organizations. Its mission is to improve labor/management relationships, increase communication with the public and employees, and enhance employee involvement in meeting the challenge of current and future economic and fiscal crises.

In October 2003, the LMTF received a \$78,000 Federal Mediation and Conciliation Service (FMCS) Labor-Management Cooperation Grant. The FMCS grant program is highly competitive, with only \$1 million awarded nationwide to private and public sector labor/management committees.

FMCS Labor-Management grants provide assistance to private and public sector labor/management committees that are organized jointly by employers and labor management organizations to improve labor/management relationships, job security, communication, and organization effectiveness. An additional focus is to fund those labor-management committees that involve workers in decisions affecting their working lives.



Communication is also a vital part of the Labor Management Task Force. The LMTF sent a survey to all employees to encourage them to make suggestions on how the City might save money and operate more efficiently. Some of the most frequently identified suggestions included:

EMPLOYEE SURVEY – TOP TEN ITEMS IDENTIFIED

- Energy Efficiency
- Improve Budget Process and Control
- Improve Communication
- Improve Purchasing Process
- Cross-Training and Job Rotation
- Increase Revenues, Fees and Collections

Operation Clean Air

The San Joaquin Valley is an area of spectacular beauty and great diversity. Home to 3.2 million residents and three renowned nature areas, the Valley offers a unique quality of life balancing economic stability with natural beauty. Its rich, fertile lands produce much of the world's cotton, grapes, raisins, peaches and pistachios, and oil fields contribute to the nation's fuel supply.

With all its beauty and many assets, the Valley is also one of the most polluted parts of the country. Ironically, the long, warm summers that make the area especially suited for agriculture are the same conditions that contribute to the Valley's smog problems. Heat and sunlight transform volatile organic compounds and nitrogen oxides from vehicle exhaust, industrial processes, and other operations into ground-level ozone, also known as smog. The surrounding mountains pose an additional challenge, as they trap smog in the Valley, not allowing it to dissipate easily.



In addition to smog, dry weather conditions and topography allow small particles of man-made compounds, as well as soot, ash and dust to become suspended in the air, creating another harmful pollutant -- particulate matter.

The Valley does not currently meet health-based standards set by the United States Environmental Protection Agency for ozone and particulate matter. These health standards have been established to protect public health, as both smog and particulate matter can cause or aggravate respiratory and cardiac conditions. Research indicates that long-term exposure to either pollutant can contribute to the premature death of people and animals.

In addition to grave health concerns, these pollutants also have a significant impact on other quality of life issues. Ozone damages crops, ornamental vegetation, and man-made materials affecting the Valley's economy, while particulates obscure visibility and hamper the natural beauty of the area.

For these reasons, Mayor Alan Autry has partnered with other community leaders from the San Joaquin Valley in the creation of Operation Clean Air (OCA). The OCA is made up of business, government, medical and other community leaders from the San Joaquin to Kern counties. All of OCA's members work to identify voluntary strategies that will improve air quality in the San Joaquin Valley while increasing the Valley's economic prosperity as well. Through OCA, industry and private sector work groups have developed a variety of incentive designed to improve air quality. OCA strives for emission reduction goals beyond existing regulations.

The goal is to look for opportunities to create business that is good for the environment and an environment that is good for business.

Protecting Air Quality

In April 2003, the OCA held its first inaugural summit. During this event, a draft "Clean Air Action Plan" was unveiled to the public. The Plan contains measures from 10 working groups and outlines what companies and businesses are doing to clean the air. It also outlines what more they can do. In addition, the Plan attempts to provide some estimates as to the cost of implementing these proposed voluntary actions. These measures acknowledge the balance between economic viability and environmental stewardship. In the long term, one cannot exist without the other. Beyond the threat of sanctions for not meeting regulatory standards, the health dangers associated with poor air quality in this region will create significant challenges in attracting and retaining quality jobs and talent.

In the spring of 2003, City staff assembled a conceptual list of measures and projects that could be implemented by City Departments to reduce harmful emission levels by 6% over a three-year period. Through the implementation of these measures and projects, staff estimated that over a three-year period 165 tons of harmful emissions could be eliminated at a cost of \$17.8 million.



A working group of City staff was formed to further refine the emission reduction methodology and cost estimates. This internal City working group names themselves Team Clean Air. Team Clean Air identified nine measures and projects that the City of Fresno could initiate to potentially reduce the level of emissions derived from City operations. Many of the measures identified mirrored reduction strategies contained in the Cities Chapter of the *Operation Clean Air Plan*.

Suggested emission reduction measures included:

- Limited Teleworking Pilot Project for eligible City employees
- Gains in energy efficiency through the purchase and installation of a Photovoltaic system at the Fresno Municipal Service Center.
- Continuation of the Heavy-Duty Vehicle Replacement and Retrofit Program for refuse trucks and buses.
- Purchase of additional electric vehicles for parking enforcement.
- Expansion of existing alternative work schedule program with the proviso that scheduling does not impact productivity or availability of staff to meet departmental and customer needs.
- Conversion of traffic signals to a fully synchronized system.
- Providing mass transit options such as van pools for downtown commuters.
- Expansion of the City of Fresno Website to allow a greater range of "E-Government" functions to be conducted online.

As a result of Team Clean Air's research and analysis, the original reduction estimates have been revised to approximately 568.6 tons of reduction benefit at an estimated cost of \$36.4 million. These revised estimates are subject to available funding and full implementation of all program elements.

In support of the Mayor's Operation Clean Air initiative, the General Services Department has integrated clean air vehicles into the City fleet, wherever possible. Grant funds have been used to offset incremental costs and as a result 160 vehicles have been added to the City's growing list of "clean air" fleet. That list includes:

14	Natural gas pickups, vans and sedans
33	Liquefied natural gas (LNG) refuse trucks (delivery by 12/31/03, 40 LNG refuse trucks to be in service by 12/04 growing to 60 by 12/06)
30	Electric vehicles, including zero emission electric vehicles for parking services in the Downtown area
5	Propane powered vehicles
59	ULEV-rated (ultra low emission vehicle) police patrol sedans
15	ULEV-rated (ultra low emission vehicle) 1-ton utility trucks
1	Hybrid (gasoline-electric) sedan
1	Aerial platform truck with a diesel particulate filter*
1	Class 8, 17-yard dump truck with a diesel particulate filter*
2	Claw loaders with a diesel particulate filter*
1	Agricultural tractor with a diesel particulate filter*
*	Diesel particulate filters which provide exhaust after-treatment to reduce particulate matter emissions by 85% will be installed on equipment not suitable for LNG. Plans are to have over 160 vehicles equipped with this technology by the end of 2006.

Public Utility Improvements

The City of Fresno Department of Public Utilities continues to be the recipient of State and national recognition for efficient service and low water rates. The Division provides reliable low cost water supplies to support job growth and economic development. The City has a 30 million-gallon per day surface water treatment plant and support facilities project underway with a 2004-completion date. At the end of June 2003, the plant was approximately 50% complete. This project is a key element to balancing the City's water budget, meeting water delivery demands in Northeast Fresno and reversing a 70-year decline in groundwater elevations.



The Solid Waste Management Division is responsible for operating the City's municipal waste collection, recycling, and landfill diversion programs. To address service delivery, in Fiscal Year 2003 the Division implemented a redesigned residential quadrant collection system and rerouted commercial collection services. These changes allowed the Division to absorb annual growth without increasing staff or collection equipment. Additionally, several major source-separation and recycling programs were expanded to comply with Assembly Bill 939 (50% landfill diversion mandate). The Solid Waste Division is committed to providing competitive and efficient customer services for the future and will include:



- ✓ Continued expansion the City's recycling program to comply with State mandates. The Division is currently diverting 750 tons of recyclables and 1,356 tons of green waste each week.

- ✓ Redesign of the residential 3-cart collection system resulting in the elimination of one green waste route.
- ✓ Reallocation of commercial collection resources to more efficiently address tonnages resulting in the reduction of two routes.

Transportation System Improvements

Airports

In contrast to the aviation industry as a whole, the commercial airport, Fresno Yosemite International (FYI) and the general aviation airport, Fresno-Chandler (Chandler) grew in 2003 with 2004 showing promise of continued economic expansion. Nationally, commercial aviation struggled to recover throughout 2003 from a stagnant business economy, the lingering effects of terrorist threats against Americans, the SARS contagion restricting Asian travel, and a changing airline corporate model. Passenger numbers nationwide reflected a drop of more than 3% for the year, while air cargo growth reflected no increase over 2003. The very large and very small airports lost service and passengers. Fresno Yosemite International bucked the national trend by retaining constant passenger numbers over the same period with no loss of air service.



Kicking off Fresno's airport growth in 2003 was the successful opening of the new concourse, which brought Fresno passengers the convenience of jet boarding bridges to accommodate aviation's transition to newer, more economical jet aircraft. The Airport was also successful in attracting new award-winning concessionaires. Three restaurants provide a variety of reasonably priced refreshments while reflecting the beauty and character of the San Joaquin Valley.



These improvements at FYI should relieve congestion on some of the region's major arteries. The success of transit projects both in Fresno and in neighboring counties remains critical to the economic growth and stability of the City and surrounding areas.

Fresno Chandler Downtown Airport (FCH), designated by the Federal Aviation Administration as a "reliever airport" continued to achieve self-sufficiency in Fiscal Year 2003. For the first time in twenty years, all-existing hangars and leasehold property is fully occupied. A \$4.2 million grant will be used to pay for overlays and rehabilitation of FCH's runways and taxiways. Gates and security measures have been installed to comply with federal security mandates for general aviation facilities.

FYI was awarded almost \$13 million in federal grant commitments from the Federal Aviation Administration in 2003. This substantial grant award, a historic high for an airport Fresno's size, has been earmarked at FYI for ticket security improvement planning, air cargo development, and future terminal improvement design. At Fresno-Chandler, a portion of the award will be used to rehabilitate the terminal building and complete security improvements which began last year. Fresno's airports are working to improve customer experience with air travel for our passengers and for our customers.

Fresno Area Express

Over the last year, Fresno Area Express (FAX) has implemented different strategies aimed at improving the level of service that it provides. Passengers who use FAX buses for work, school and other destinations, now know when their next bus will arrive thanks



to integration and installation of new electronic arrival and departure displays at all of FAX's major transfer centers. These electronic signs provide customers with "real time" arrival and departure information through the use of global positioning satellite (GPS) technology.

The introduction of GPS technology has also contributed to an improvement in the level of security provided to the riding public and employees through the integration of covert and overt alarm systems. These systems allow FAX to monitor conversations occurring on the bus to better assess an emergency situation and advise law enforcement accordingly. More importantly, the utilization of the new technology allows FAX to better allocate and manage its resources through various reports that measure performance indicators such as schedule adherence based on route, coach run time, and driver performance.

Passengers will also notice the recent introduction of new buses powered by compressed natural gas (CNG). In addition to operating on CNG, these buses are equipped with the latest technology including a four-camera video surveillance system, alloy wheels for better fuel economy, automated announcement system, upholstered seats, anti-lock brakes, and environmentally friendly climate control system. FAX is also in the process of acquiring three trolley replica buses that will also operate on CNG.

FAX's Handy Ride Division has expanded the number and types of vehicles that it uses in efforts to address issues associated with double-digit increases in usage. Since implementing a new "next-day" reservation policy last year, rider-ship on Handy Ride has increased by more than 29%. This trend has continued over the first quarter of Fiscal Year 2004 with the number of passenger trips increasing by another 25%.



FAX customers will soon see other improvements such as the installation of new passenger shelters, solar lighting and trolley buses. FAX has also embarked on a pilot program in which it is testing the feasibility and durability of a new solar powered lighting system.

Railroad Terminal

After several years of negotiation with the Burlington, Northern and Santa Fe Railroad, the City has taken title of the Santa Fe Depot in Downtown Fresno. The City will now begin the process of renovating the historic structure. Once completed, the building will once again be used as the primary train depot for the City and the transportation hub for the downtown area. The original Santa Fe structure was completed in 1899 as a station for the San Francisco and San Joaquin Valley Railroad (later known as the Santa Fe Railroad). Alterations and additions were made to the building in 1909, 1912 and then again in 1917. The waiting room, ticket office and baggage room were completely remodeled in 1940. In 1966 the station was abandoned for passenger use and the waiting room converted to a communications center. The freight office, which currently serves as Amtrak's current Fresno station, will not be a part of the planned renovation. The rest of the complex however is scheduled for a dramatic makeover.



When the work is finished, the view of the station will be transformed. A plaza will replace a parking lot's asphalt for pedestrians. The lots will support rail passengers, near-by businesses, and allow for parking for new businesses moving into the area. There will be a total of 120 spaces for daily, overnight, and short-term parking as well as seven spaces for passenger loading.



Behind it, the Depot's original entrance will be restored at the base of the three-store

clock tower that is now mostly obscured by the later additions. Amtrak users will pass through the restored entrance and walk into a waiting room that will look much as it did when the Depot opened. Across the street from Fresno City Hall the second floor may be leased as offices and a restaurant may also be added.

Rapid Response Drives the Fire Department

The Fresno City Fire Department has been challenged to keep pace with growth, increased calls for service, technology, job-related diversity, and improved customer service all within continued budget constants. The Department believes the community expects a quality level of emergency services and code enforcement. The Fire Department's strategic objective is to provide emergency response within 4 minutes, 90% of the time.

To meet that objective, the Department has outlined a plan including building new fire stations, adding emergency response units, and adding personnel to meet this nationally accepted response criteria. To ensure that they are providing service based upon national "Best Practices", the Department has begun a quality initiative, the Fire and Emergency Self Assessment Process. Its goal is to examine all aspects of their operations in order to become more efficient and effective. The Department also has another key focus, which is to become a nationally accredited fire agency in the future.

For the second consecutive year, the Fresno City Fire Department budget has grown in order to better meet the needs of the community. Just over 29,000 calls for service were received in 2003. Approximately 2,200 were fire related with losses exceeding \$30 million. That equates to a per capita fire loss of \$68 per resident. The remainder of the calls were related to medical emergencies. Fresno has grown to become a large metropolis of 448,500 people and covers nearly 104 square miles. In that time, more than 337,385 students in the first, second and third grades of all schools in Fresno have seen the important fire safety messages in the School Program. And over 4,000 smoke detectors have been installed in the homes of senior citizens in Fresno. Through the continuing efforts of Burn Aware and the Fresno Fire Department, important fire prevention and life safety messages continue to be provided to the entire Fresno Community.



One important spokesperson for the Fire Department is **Freddie the Electric Fire Engine**. Freddie the Fire Engine is a remote-controlled electric miniature fire engine. Freddie comes complete with flashing lights, blinking eyes, a siren, and he sprays water. Freddie is used to help teach children the importance of fire safety. Freddie is accompanied by two Fresno City firefighters who talk to the children about 911, Stop-Drop-and Roll, as well as other safety issues.

City of Fresno's Website

The City completed a major website redesign in 2003. In addition to offering a new multilingual option, the site has a host of additional improvements. The staff of the Information Services Department worked to improve ADA (American with Disabilities Act) compliance. The site is now better organized and provides the foundation for future online services. All Parks and Recreation facilities now have Internet connections available to the general public for those residents not having Internet access at home. Thanks to improved functionality and accessibility, approximately 75% of the City job applications are now received online. A single webpage allows citizens to send email to any City Department, Official, or Council member from an easy location. The City's website can be found at <http://www.fresno.gov>.



OTHER FINANCIAL INFORMATION

Internal Controls

In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and, (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and, (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.



Budgetary Process

The City's budget is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried on during the Fiscal Year; (2) the estimated revenue available to finance the operating plan; and, (3) the estimated spending requirements of the operating plan. The budget is the result of a process wherein policy decisions by the Mayor, City Manager, and Council members are made, implemented, and controlled.



The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, special revenue funds, and certain debt service funds are included in the annual appropriated budget. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained or centralized at the department level. Open encumbrances at June 30, 2003, are reported as reservations of fund balances.

The City also used encumbrance accounting as another technique to accomplish budgetary control for all fund types. This consists of a commitment for expenditures that are earmarked for a particular purpose and are spent when funds become available. Appropriations that are not encumbered lapse at the end of the Fiscal Year. Certain year-end encumbrances that fulfill a spending commitment are carried forward and become part of the following year's budget. The City continues to meet its responsibility for sound financial management as demonstrated by the statements and schedules included in the financial section of this report.

Pension Trust Fund Operations



The City maintains two retirement systems for its employees. One covers all firefighters and police officers (Fire and Police Systems), while the other covers all remaining permanent employees (Employees' System). The systems are single-employer defined benefit pension plans administered by the City of Fresno Retirement Boards. The net reduction in assets for the Fire and Police System was \$2.5 million (\$789.2 million to \$786.7 million) for 2003 and \$83.2 million (\$872.4 to \$789.2 million) for 2002. The Employees' System increased by approximately \$400,000 (\$714.5 million to 714.9) in 2003 and decreased \$73.7 million (\$788.2 to \$714.5 million) in 2002. The increase was primarily the result of

a recovery in the investment markets at the end of fiscal 2003. The reductions in 2002 were the result of declines in the values of investments. Each plan's most recent actuarial calculations, as of June 30, 2002, estimate that the plans are 137.9% and 141.3% funded, respectively.

Cash Management

The City's pooled temporary idle funds and deposits are invested pursuant to the City's Investment Policy (the Policy) and the California Government Code (GC) by the City Treasurer. The Policy seeks the preservation of capital, safety, liquidity and yield, in that order of priority. The Policy addresses soundness of financial institutions holding our assets and the types of investments permitted by the California Government Code. The City seeks to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, the Policy permits investments in certificates of deposit, obligations of the U.S. Treasury and U.S. Government sponsored corporations and agencies, commercial paper, corporate bonds, medium-term notes, banker's acceptances, repurchase and reverse repurchase agreements, mutual funds invested in U.S. Government and Treasury obligations, and the State Treasurer's Investment Pool. The earned yield for the Fiscal Year 2002-03 was 2.75%.

The City invests in no derivatives other than structured (step-up) notes, and floored floater notes, which guarantee coupon payments. These are minimal risk instruments. All of the City's investments, which are categorized according to credit risk as defined by the Governmental Accounting Standards Board, are classified in the category of lowest risk. All categorized investments are held by a third-party custodian in the City's name.

With regard to investment style, the City employs a semi-active strategy in managing the portfolio. First, all prospective investments are reviewed from the standpoint of the risk of loss of principal. Once safety concerns have been addressed, all investments are purchased with the intention of holding them until maturity. They are purchased at a point in time and with a particular maturity date judged to be the most advantageous in terms of meeting the City's liquidity needs and maximizing the return on the portfolio.

However, as time passes and market conditions change, opportunities often arise in which funds can be repositioned into other assets offering even greater advantages to the portfolio. In these circumstances, one investment may be sold or swapped for another. Occasionally this may result in a capital gain from the sale and at other times it may result in a loss. In all cases however, the gains or losses combined with returns from the newly acquired investment, result in a net added return to the portfolio. The Employees' Retirement System and the Redevelopment Agency deposits and investments are maintained outside the City Treasury and follow policies established by their respective governing boards.

Risk Management

With certain exceptions, it is the policy of the City to use a combination of self-insurance and purchased commercial insurance against property or liability risks. The City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City maintains limited coverage for certain risks that cannot be eliminated. Currently, the City is engaged in an Owner-Controlled Insurance Program covering the wastewater treatment expansion. The Risk Management Division investigates and manages all liability claims and property losses, evaluates risk exposure and insurance needs, protects against contractual loss by reviewing and preparing insurance and indemnification portions of construction contracts, leases and



agreements, emphasizes ongoing operational loss control, and purchases all insurance coverage for the City.

The City is self-funded for liability exposures, except for the Fresno Yosemite International Airport, which has liability insurance coverage with limits up to \$60,000,000. The City's general liability program consists of a \$2,500,000 self-insurance retention with purchased excess insurance layers of an additional \$10,000,000 coverage. The City's Workers' Compensation Program consists of \$1,000,000 self-insured retention with purchased excess insurance layers up to the statutory limits. The City has an 'all-risk' property insurance for physical loss and/or damage with a \$25,000 deductible and limits of insurance up to \$200,000,000.

The claims liabilities and worker's compensation liabilities reported on the balance sheet have been actuarially determined and include an estimate of incurred but not reported losses.

INDEPENDENT AUDIT

The City's Charter Section 1216 requires an annual audit of the City's financial records, transactions and reports by an independent Certified Public Accounting (CPA) firm. These records, summarized in the Comprehensive Annual Financial Report, have been audited by a nationally recognized Certified Public Accounting firm, McGladrey & Pullen, LLP. Various other component units of the City of Fresno, consisting of the Pension Trust Fund and the Redevelopment Agency, have been separately audited by other CPA firms. The Independent Auditor's Report on our current financial statements is presented in the Financial Section.



CERTIFICATE OF ACHIEVEMENT



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2002. This was the tenth consecutive year (Fiscal Years ended June 30, 1993 — 2002) that the City has achieved this prestigious national award. This achievement is of even greater significance to the City in that the Fiscal Year ended June 30, 2002, was the City's first year implementing the new financial reporting model under GASB Statement No. 34, Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. The CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS



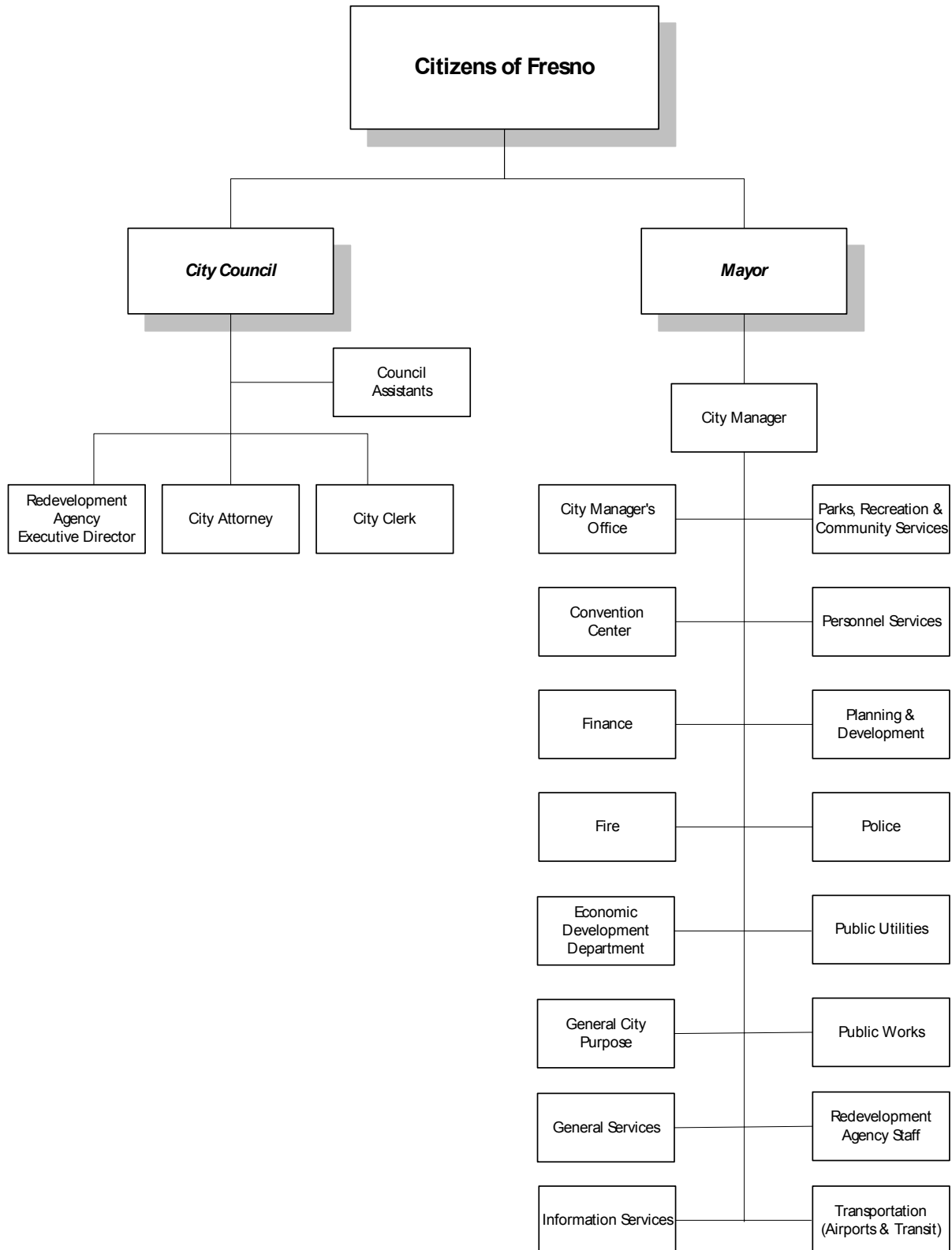
I would like to express my appreciation to the entire staff of the Finance Department, but especially the CAFR staff, for their months of concerted team effort, and whose professionalism, dedication and efficiency are responsible for the preparation of this report.

I would also like to thank the staff in all City departments for their cooperative efforts in responding to the many questions and requests for detailed information that accompanies each annual audit. In addition I would like to acknowledge the role of McGladrey & Pullen, LLP, for their professional support in the preparation of the CAFR. Finally, I want to thank the Mayor, the City Manager, and the Council members for their continued leadership and support in planning and conducting the City's financial operations.

Respectfully submitted,

Ruth F. Quinto, CPA
Controller

City Organization Chart



CITY OF FRESNO, CALIFORNIA
Directory of City Officials

<u>Member</u>	<u>Term Expires</u>
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MAYOR

Alan Autry	January 2005
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COUNCIL MEMBERS

Tom Boyajian, District 1	January 2007
Brian Calhoun, District 2	January 2005
Cynthia Sterling, District 3	January 2007
Brad Castillo, District 4	January 2005
Mike Dages, District 5	January 2007
Jerry Duncan, District 6	January 2005
Henry Perea Jr., District 7	January 2007

CITY OFFICIALS

Daniel G. Hobbs, City Manager
Andrew T. Souza, Assistant City Manager
Jon Ruiz, Assistant City Manager
Hilda Cantú Montoy, City Attorney
Rebecca E. Klisch, City Clerk
Ruth F. Quinto, City Controller

Elected officials as of the date of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fresno,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fresno, California (the City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Agency of the City of Fresno (the Agency), a blended component unit of the City, which represents approximately 2.0% and 3.0%, respectively, of the entity-wide assets and revenues of the City, and we did not audit the financial statements of the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (collectively the Retirement Systems), blended component units of the City, which represents 99.1% of the fiduciary fund assets. The financial statements of the Agency and the Retirement Systems were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency and the Retirement Systems of the City, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 38 and budgetary comparison and other information on pages 110 through 116 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining internal service and fiduciary fund statements, combining and individual nonmajor funds financial statements, budgetary comparisons for nonmajor funds, schedules of capital assets used in the operation of governmental funds and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund, internal service fund and fiduciary fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparisons for nonmajor funds, schedules of capital assets used in the operation of governmental funds and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Riverside, California

December 9, 2003, except for Note 13d, as to which the date is December 22, 2003

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

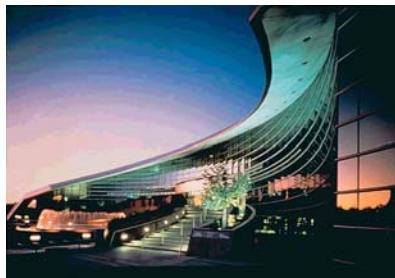
MANAGEMENT'S DISCUSSION AND ANALYSIS

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF FRESNO, CALIFORNIA

We, the management of the City of Fresno, offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section, and the additional information that we have furnished in our letter of transmittal at the front of this report. Because fiscal year 2001-2002 represented the first year in which the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides comparisons primarily with only the previous year. Future reports will include even more extensive comparisons.



FINANCIAL HIGHLIGHTS

- The assets of the City of Fresno exceeded its liabilities at the close of the most recent fiscal year by \$1,109,325,348 (reported as *net assets*). Of this amount, the City has a deficit (\$61,154,877) (unrestricted net assets) shortfall with respect to meeting the government's ongoing obligations to citizens and creditors. This deficit is mitigated by the fact that the City has \$1,070,317,518 in net assets restricted for capital assets net of related debt. The total net assets include all major infrastructure networks.
- As of June 30, 2003, and 2002, respectively, the City's governmental funds reported combined ending fund balances of \$103,039,830 and \$106,170,228. Of those amounts, \$21,651,130 and \$21,304,512 are/were reserved for encumbrances, and \$126,149,957 and \$123,424,887 are/were reserved and unavailable for appropriation for expenditures or legally segregated for a specific future use. An additional \$10,172,256 at the end of June 2003 and \$10,000,000 at the end of June 2002 were designated by management as a Reserve for Economic Uncertainty. A deficit shortfall of (\$54,933,513) and (\$48,559,171) as of June 30, 2003, and 2002, respectively, makes up the balance in the unreserved/undesignated fund balance. The Redevelopment Agency Debt Service Fund with a deficit of (\$64,020,449) and (\$59,981,166) makes up approximately 110% and 123% of the shortfall at the end of each fiscal year. When the Redevelopment Debt Service Fund is removed from the governmental funds, reported unreserved/undesignated fund balance is a positive \$9,086,936 and \$11,421,995.
- At the close of the 2002 fiscal year, \$10 million was set aside and designed for purposes of meeting unforeseen budgetary requirements of the City as defined by the Controller, City Manager, and Mayor with approval by a vote of the City Council. The unreserved and undesignated fund balance for the General Fund at June 30, 2003, is \$9,062,120. This \$9,062,120 is in addition to the Reserve for Economic Uncertainty, which at June 30 was \$10,172,256. Council has earmarked \$1.5 million of the reserve for specific economic development opportunities in the up coming fiscal year. The combined total General Fund unreserved fund balance is \$19,234,376 or 12% of total General Fund expenditures of \$162,145,212.

City of Fresno

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

- At the close of the prior fiscal year (2002), unreserved and undesignated fund balance for the General Fund was \$8,560,425. The \$8,560,425 was in addition to the \$10,000,000 Reserve for Economic Uncertainty. The combined total was \$18,560,425 or 12% of total General Fund expenditures of \$154,206,825.
- The City's total Governmental long-term debt decreased by \$3,696,522 (1.2%) in 2003 and 46,575,514 (13.3%) during 2002. The key factor in the decrease in 2002 was the restructure of the Pension Obligation Debt (\$12.2 million savings) This reduced cost enabled and continues to enable the General Fund to absorb unanticipated revenue shortfalls yet continue to maintain budgeted service levels.
- The national economic recession and its impact on the State of California has had, and will continue to have a major impact on the City of Fresno and its budget. The state is experiencing an unprecedented fiscal crisis never before seen in its history. The coming year holds a number of uncertainties that could result in long-term negative impacts to the City including a potential loss of General Fund resources. The prudent actions of management and proactive financial management, which took advantage of historically low interest rates in 2002–2003 created the resources to establish the \$10 million Reserve for Economic Uncertainty in 2002. This reserve continues to be vigilantly protected.
- For the fiscal year ended June 30, 2003, the City's Sales Tax increased 1.9% from budget estimates and increased 8.18% from the prior year. This factor, combined with the ongoing overall growth in the general economy and increased expenditures due to labor contracts, has management maintaining their conservative approach to estimating operating revenues available to the City for the fiscal year ending June 30, 2004. State Budget legislation enacted subsequent to the adoption of the City's 2003–2004 budget resulted in a deferral of the first quarter Vehicle License Fee (VLF) backfill totaling \$5.078 million dollars. In their 2004 budget, the State has made a commitment to payback the deferred VLF. To confirm this promise, legislation was constructed, passed and signed by Governor Gray Davis to affirm the deferral as a loan from the cities to the State to be paid back in three years. City management will continue to monitor revenue streams and control expenditures and adjust its contingency plans as the impact of the State's budget crisis unfolds. Mayor Alan Autry's plan for the City, that conservatively yet relentlessly moves Fresno forward, will continued to be followed along with the four cornerstones of the City's budget:



- ⇒ Maintain Essential Services
- ⇒ Invest in Job Creation through Economic Development
- ⇒ Increased Investment in the Neighborhood Infrastructure
- ⇒ Protecting the Reserves

OVERVIEW OF FINANCIAL STATEMENTS



This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements. For the second year, this report includes government-wide financial statements as required by GASB No. 34.

City of Fresno

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

- Government-wide financial statements are designed to provide both long-term and short-term information about the City's overall financial status, in a manner similar to a private-sector business.
- Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. They are used to maintain control over resources that have been segregated for specific activities or objectives and to ensure and demonstrate compliance with finance-related legal requirements. They can be divided into three categories:
 - ◆ *Governmental funds statements* tell how general government services such as police, fire and public works were financed in the short term as well as what remains of future spending.
 - ◆ *Proprietary fund statements* offer short-and long-term financial information about the activities the City operates like businesses, such as utility services.
 - ◆ *Fiduciary fund statements* provide information about the financial relationships – like the retirement plan for the City's employees – in which the City acts solely as trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The Pension Plans' Schedule of Funding Progress follows the financial statements, which is required supplementary information. In addition to these required elements, also included are combining statements that provide detail about non-major governmental funds, non-major enterprise funds, internal service funds and agency funds, each of which is presented in a column in the basic financial statements.

The following table summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statement	FUND FINANCIAL STATEMENTS		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurements focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during years, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

City of Fresno
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

ORGANIZATION OF CITY OF FRESNO COMPREHENSIVE ANNUAL FINANCIAL REPORT					
CAFR	Introductory Section	INTRODUCTORY SECTION			
	Financial Section	Management's Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of Net Assets	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS	FIDUCIARY FUNDS
			Balance Sheet	Statement of Net Assets	Statement of Fiduciary Net assets
			Statement of Revenues, Expenditures; and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Assets	
		Statement of Activities		Statement of Cash Flows	Statement of Changes in Fiduciary Net Assets
		NOTES TO THE FINANCIAL STATEMENTS			
		REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A			
		OTHER SUPPLEMENTARY INFORMATION			
	Statistical Section	STATISTICAL SECTION			

Government-Wide Statements (Reporting the City as a Whole)



The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all City assets and liabilities. The Statement of Activities reports all of the current year's revenues and expenses regardless of when the cash is received or paid. These financial statements report information about the City, as a whole, and about its activities that should help to answer the question, "Is the City, as a whole, better or worse off as a result of this year's activities?"

The two government-wide statements report the City's net assets and how they have changed during the fiscal year. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general city responsibilities. The business-type activities of the City include two airports, public transportation system, water and sanitation operations, convention center, stadium, numerous parks, development department, and various parking facilities.

The government-wide financial statements include not only the City itself, but also legally separate component units; the Redevelopment Agency of the City of Fresno, and the Fresno Joint Powers Financing Authority. The component units, while legally separate from the City, provide services entirely or almost exclusively for the benefit of the City even though they do not provide services directly to the City. Although legally separate from the City, these component units are blended with the City government because of their governance and their financial relationships with the City.

The government-wide financial statements can be found on pages 41–43 of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific resources of funding and spending for a particular purpose. All of the funds of the City can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e., most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can be readily converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the



near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Grants Fund, Redevelopment Agency Debt Service Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.

The City adopts an annual appropriated budget. The City's budget reflects its priorities and tells the taxpayers and ratepayers what is being done with their money. The budget was built on four cornerstones:

- ✓ *Maintain service levels and increase efficiencies.*
- ✓ *Protect the reserves.*
- ✓ *Increase public safety.*
- ✓ *Invest in downtown revitalization – Vision 2010.*

Budgetary comparison statements have been provided in the required supplementary information for the general and other major funds to demonstrate compliance with the budget. Budgetary comparison statements for the other non-major governmental funds are provided in the combining statements.

- **Proprietary Funds.** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. Proprietary funds (enterprise and internal service) utilize the same method used by the private sector businesses, or accrual accounting. The City maintains the following two types of proprietary funds:



- **Enterprise Funds** are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Public Utilities [**Water System, Sewer System, Solid Waste Management**], Fresno Area Express [**Transit**], Fresno International Airport (FYI) and the Fresno Chandler Downtown Airport (FCH) [**Airports**], **Fresno Convention Center**, Grizzlies Stadium [**Stadium**], all of which are considered to be major funds of the City. **Community Sanitation, Parking, Parks and Recreation and Development Services** are considered to be non-major enterprise funds of the City.

- Internal Service Funds are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, its management information systems, its printing and mail services, property maintenance and electronics and communication support (**General Services**), its self-insurance (**Risk Management**) and billing, collecting, and servicing activities for the Water, Sewer, Solid Waste and Community Sanitation funds (**Billing and Collection**). Because Risk Management services predominantly benefit governmental rather than business-type functions, Risk has been included within governmental activities in the government-wide financial statements and General Services and Billing and Collection are included in the business-type activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.
- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City.



Pension Trust Funds consist of funds for Fire & Police and other Employees. The *Fire and Police Retirement System Pension Trust Funds* account for the accumulation of resources for pension benefit payments to qualified Fire and Police Retirees. The *Employee Retirement System Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified General Service employees and retirees.

The Agency Funds consist of *City Departmental* and *Special Purpose Fund* and accounts for City-related trust activity, such as payroll withholding and bid deposits. In addition, Agency Funds include *Special Assessment Funds* that account for receipts and disbursements for the debt service activity of the special assessment districts within the City.

Since the resources of Fiduciary Funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fund financial statements can be found on pages 41-108 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 64–108 of this report.



Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including budgetary comparison statements for major governmental funds. The notes to the required supplementary information present information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information and accompanying notes can be found on pages 110-116 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds and fiduciary funds are presented immediately following the appropriately labeled tabs. Combining and individual fund statements and schedules can be found on pages 118–145 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that the City has presented its financial statement under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of financial data, the City did not restate fiscal years prior to the implementation in 2002 for the purposes of providing comparative information for MD&A. The current year's analysis compares only this year's data to last year. In future years, when prior-year's information is available, a more comparative analysis of government-wide data will be included in this report.

Net Assets – Government-Wide

June 30, 2003

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and other assets	\$138,485,081	\$382,567,236	\$521,052,317
Capital assets:			
Land and other assets not being depreciated	276,909,057	479,269,935	756,178,992
Facilities, infrastructure and equipment, net of Depreciation	444,053,539	354,597,722	798,651,261
Total capital assets	720,962,596	833,867,657	1,554,830,253
Total assets	859,447,677	1,216,434,893	2,075,882,570
Liabilities:			
Long-term liabilities outstanding	354,175,400	459,477,658	813,653,058
Other liabilities	13,152,434	139,751,730	152,904,164
Total liabilities	367,327,834	599,229,388	966,557,222
Net Assets:			
Invested in capital assets, net of related debt	645,327,945	424,989,573	1,070,317,518
Restricted	65,072,760	35,089,947	100,162,707
Unrestricted	(218,280,862)	157,125,985	(61,154,877)
Total net assets	\$492,119,843	\$617,205,505	\$1,109,325,348

Net Assets – Government-Wide
June 30, 2002

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and other assets	\$140,897,750	\$411,828,855	\$552,726,605
Capital assets:			
Land and other assets not being depreciated	247,683,286	523,089,987	770,773,273
Facilities, infrastructure and equipment, net of Depreciation	461,566,359	280,523,474	742,089,833
Total capital assets	<u>709,249,645</u>	<u>803,613,461</u>	<u>1,512,863,106</u>
Total assets	<u>850,147,395</u>	<u>1,215,442,316</u>	<u>2,065,589,711</u>
Liabilities:			
Long-term liabilities outstanding	356,023,858	503,062,704	859,086,562
Other liabilities	<u>12,823,878</u>	<u>113,142,118</u>	<u>125,965,996</u>
Total liabilities	<u>368,847,736</u>	<u>616,204,822</u>	<u>985,052,558</u>
Net Assets:			
Invested in capital assets, net of related debt	633,842,381	352,535,854	986,378,235
Restricted	119,201,984	40,583,232	159,785,216
Unrestricted	<u>(271,744,706)</u>	<u>206,118,408</u>	<u>(65,626,298)</u>
Total net assets	<u>\$481,299,659</u>	<u>\$599,237,494</u>	<u>\$1,080,537,153</u>

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceed liabilities by \$1,109,325,348 at the close of the current fiscal year and \$1,080,537,153 at June 30, 2002. This is an increase of \$28,788,195 in the City's net assets from the prior year.

The largest portion of the City's net assets (96%) reflects its investment of \$1,070,317,518 in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire the assets. These same figures for June 30, 2002, were (91%) with \$986,378,235 in capital assets, net of debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.



At the end of both the current fiscal year and end of the prior fiscal year, the City was able to report positive balances in two categories of net assets for the government as a whole; net assets invested in capital assets and restricted net assets, as well as for all three categories of business-type activities. For the governmental activities, unrestricted net assets had a deficit of (\$218,280,862) and (\$271,744,706) respectively, related primarily to debt associated with the Redevelopment Agency debt. While the agency has numerous projects in the works, many are in the early stages of development and have yet to generate tax increment revenue sufficient to fund the related debt.



Changes in Net Assets – Government-Wide

For the Year Ended June 30, 2003

	Governmental Activities	Business Type Activities	Total
Revenues			
Program revenues:			
Charge for services	\$30,208,235	\$175,899,285	\$206,107,520
Operating grants and contributions	11,816,640	18,801,202	30,617,842
Capital grants and contributions	26,827,482	11,165,228	37,992,710
General revenues:			
Property taxes	53,832,808	-	53,832,808
Business taxes	26,320,026	-	26,320,026
Sales tax	59,139,643	-	59,139,643
Other local taxes	9,560,606	-	9,560,606
Interest and investment income	5,231,678	8,949,801	14,181,479
Revenue restricted for infrastructure maintenance	582,035	-	582,035
Grants & contributions not restricted to specific	25,977,660	-	25,977,660
Gain or loss on sale of capital assets	(406,310)	535,896	129,586
Total revenues	<u>249,090,503</u>	<u>215,351,412</u>	<u>464,441,915</u>
Expenses			
Public protection	120,987,011	-	120,987,011
Public ways and facilities	41,535,886	-	41,535,886
Human welfare and neighborhood development	18,498,941	-	18,498,941
Culture and recreation	21,526,952	-	21,526,952
General Government	13,262,004	-	13,262,004
Interest on long-term debt	21,112,884	-	21,112,884
Airport	-	13,723,891	13,723,891
Transit	-	30,744,309	30,744,309
Sewer, water and garbage	-	123,748,681	123,748,681
Convention Center	-	12,067,099	12,067,099
Parking	-	4,772,848	4,772,848
Parks and Recreation	-	2,232,681	2,232,681
Development Services	-	8,186,069	8,186,069
Stadium	-	3,254,464	3,254,464
Total expenses	<u>236,923,678</u>	<u>198,730,042</u>	<u>435,653,720</u>
Increase (decrease) in net assets before transfers	12,166,825	16,621,370	28,788,195
Transfers	(1,346,641)	1,346,641	-
Increase in net assets	10,820,184	17,968,011	28,788,195
Net assets at the beginning of the fiscal year	<u>481,299,659</u>	<u>599,237,494</u>	<u>1,080,537,153</u>
Net assets at the end of the fiscal year	<u>\$492,119,843</u>	<u>\$617,205,505</u>	<u>\$1,109,325,348</u>

City of Fresno

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Changes in Net Assets – Government-Wide

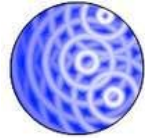
For the Year Ended June 30, 2002

	Governmental Activities	Business Type Activities	Total
Revenues			
Program revenues:			
Charge for services	\$25,680,501	\$168,905,447	\$194,585,948
Operating grants and contributions	25,981,544	17,785,629	43,767,173
Capital grants and contributions	19,388,028	16,074,458	35,462,486
General revenues:			
Property taxes	50,840,098	-	50,840,098
Business taxes	21,152,916	-	21,152,916
Sales tax	54,504,040	-	54,504,040
Other local taxes	9,421,951	-	9,421,951
Interest and investment income	7,290,288	15,290,879	22,581,167
Revenue restricted for infrastructure maintenance	943,909	-	943,909
Grants & contributions not restricted to specific	24,434,471	-	24,434,471
Gain or loss on sale of capital assets	596,328	(583,425)	12,903
Other	244,482	-	244,482
Total revenues	<u>240,478,556</u>	<u>217,472,988</u>	<u>457,951,544</u>
Expenses			
Public protection	114,854,959	-	114,854,959
Public ways and facilities	51,295,154	-	51,295,154
Human welfare and neighborhood development	22,122,226	-	22,122,226
Culture and recreation	17,887,755	-	17,887,755
General Government	30,785,546	-	30,785,546
Interest on long-term debt	14,657,681	-	14,657,681
Airport	-	14,031,058	14,031,058
Transit	-	31,557,133	31,557,133
Sewer, water and garbage	-	127,626,797	127,626,797
Convention Center	-	11,802,321	11,802,321
Parking	-	3,767,254	3,767,254
Parks and Recreation	-	2,021,571	2,021,571
Development Services	-	8,005,108	8,005,108
Stadium	-	32,084	32,084
Total expenses	<u>251,603,321</u>	<u>198,843,326</u>	<u>450,446,647</u>
Increase (decrease) in net assets before transfers	(11,124,765)	18,629,662	7,504,897
Transfers	(1,036,744)	1,036,744	-
Increase (decrease) in net assets	(12,161,509)	19,666,406	7,504,897
Net assets at the beginning of the fiscal year	<u>493,461,168</u>	<u>579,571,088</u>	<u>1,073,032,256</u>
Net assets at the end of the fiscal year	<u>\$481,299,659</u>	<u>\$599,237,494</u>	<u>\$1,080,537,153</u>

Analysis of Changes in Net Assets

The City's net assets overall increased by \$28,788,195 during the current fiscal year. For the fiscal year ended June 30, 2002, net assets overall increased by \$7,504,897. These increases are explained in the government and business-type activities below, and are primarily a result of the Utility Enterprises continuing to find efficiencies in operations, and a substantial reduction in interest payments as a result of the restructure of the Pension Obligation Debt (\$12.2 million savings) in 2002.

Governmental Activities



governmental

Governmental activities for the current fiscal year increased net assets by \$10,820,184. In 2002, Governmental activities decreased net assets by (\$12,161,509), thereby accounting for an approximate 1% increase and a 1.13% decline in net assets of the City for each year respectively. Total revenue from governmental activities was \$249,090,503 and \$240,478,556 respectively for each year.

- Property tax revenues in 2003 comprise 21% of revenue from governmental activities, with business taxes and sales tax making up 11% and 23% respectively. For the fiscal year 2002 property tax revenues comprised 21% of revenue from governmental activities, with business taxes and sales tax making up 9% and 22% respectively.
- Other local taxes including hotel and utility user taxes make up 4% of total governmental revenue in 2003 and 4% in 2002.
- Interest and investment income made up 2% of total governmental revenues in 2003 and 3% in 2002.
- Grant revenue from state and federal sources, consisting of operating grants and contributions (5%), capital grants and contributions (11%), unrestricted grants and contributions (11%) and charges for services (12%) make up the balance in 2003. For 2002, these same figures were operating grants and contributions (11%), capital grants and contributions (8%), unrestricted grants and contributions (10%) and charges for services (11%) with approximately 1% from other sources.

In January 2003, the Mayor's Task Force on City Efficiencies and Revenue (the "Task Force") completed and published a study and analysis that compared Fresno to ten California cities that it most resembled. The purpose was to benchmark the revenues and expenditures of Fresno with similar cities. The study found that Fresno is primarily dependent on three revenue sources: property taxes, sales tax and other local and business taxes. The Task Force found that Fresno relies on property taxes more than any of its peer cities; it relies more on sales taxes than any of its peer cities, except one; and it relies more on business and other taxes than any of its peer cities, except one. Fresno collects fewer revenues from fees, licenses and permits than any of its peer cities and does not collect a utility tax, as do more than 150 California cities, collectively representing a majority of the state's population. For those cities that do collect them, utility taxes provide an average of 15% of general revenues, and often as much as 22%. These continue to be items that are being investigated further by the City's management in an effort to generate additional revenues needed to replace those lost as a result of the State budget crisis.



For the most part, increases in expenses continue to parallel increases in the cost of living in the Fresno Area and growth in the demand for government services. One notable exception, however, is Public Protection. Fresno spends significantly less than its peer cities in most functions with the exception of Police. In 2003, Public Protection (police and fire) made up 50% of the expenditures for governmental activities. The balance consists of Public Ways

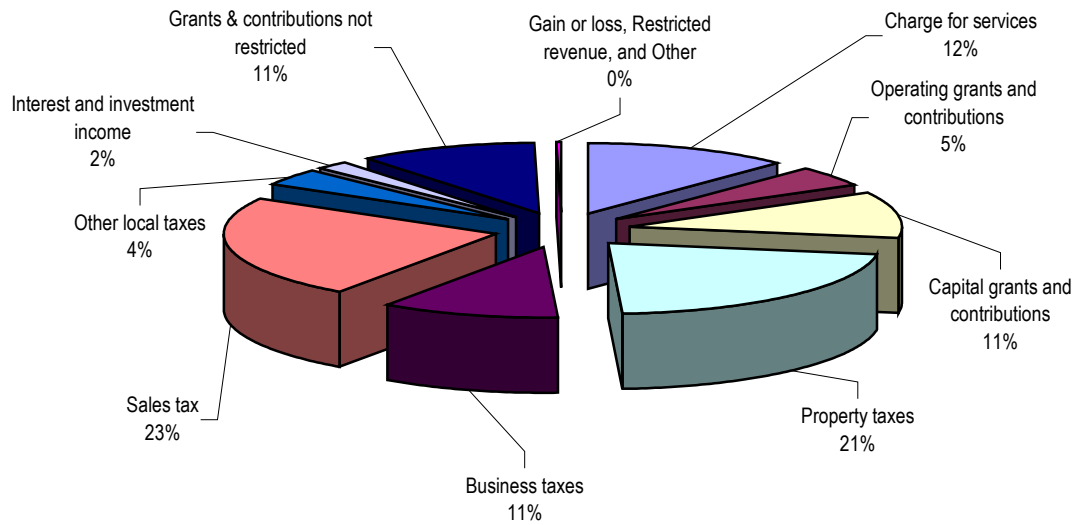
City of Fresno**Management's Discussion and Analysis**

For the Fiscal Year Ended June 30, 2003

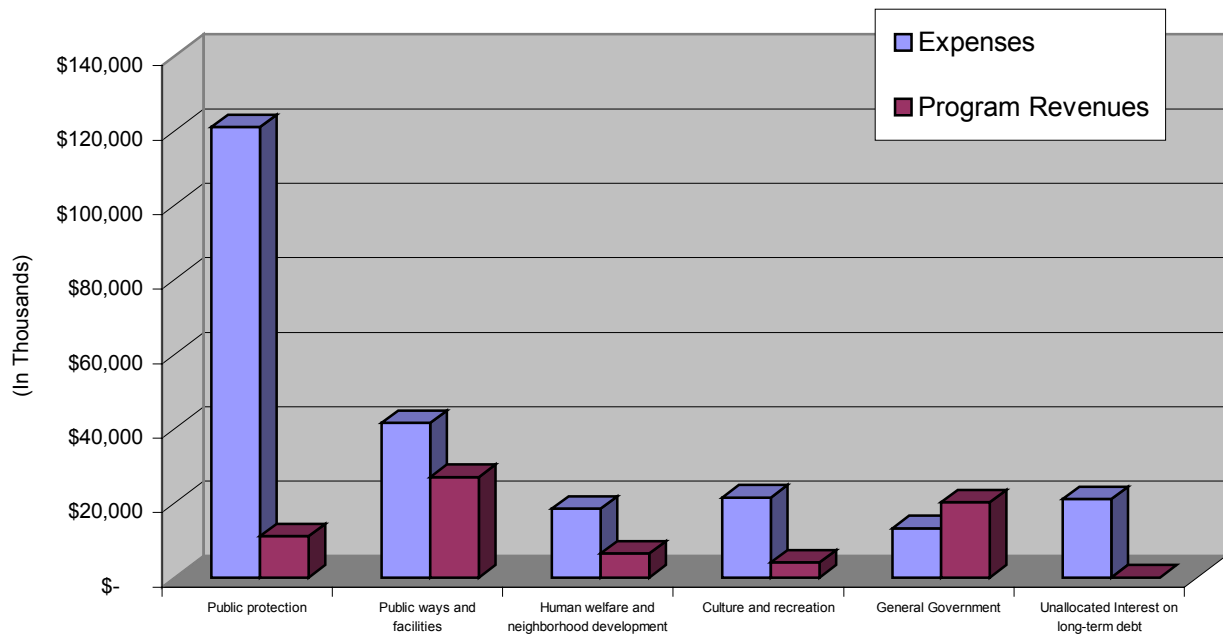
and Facilities (18%), Human Welfare and Neighborhood Development, including Redevelopment (8%), Culture and Recreation (9%), General Government consisting of the City Clerk's Office, the Mayor and City Council Offices and the City Manager's Office (6%) with Interest on long-term debt at 9%. For 2002, comparative figures were Public Protection (police and fire) 46% of the expenditures for governmental activities, Public Ways and Facilities (20%), Human Welfare and Neighborhood Development, including Redevelopment (8.8%), Culture and Recreation (7%), General Government consisting of the City Clerk's Office, the Mayor and City Council Offices and the City Manager's Office (12.2%) with Interest on long-term debt at 6%.

The charts on the next few pages illustrate the City's governmental revenues by source, and its expenses and revenues by function. As shown, Public Protection is the largest function in the City's overall expense.

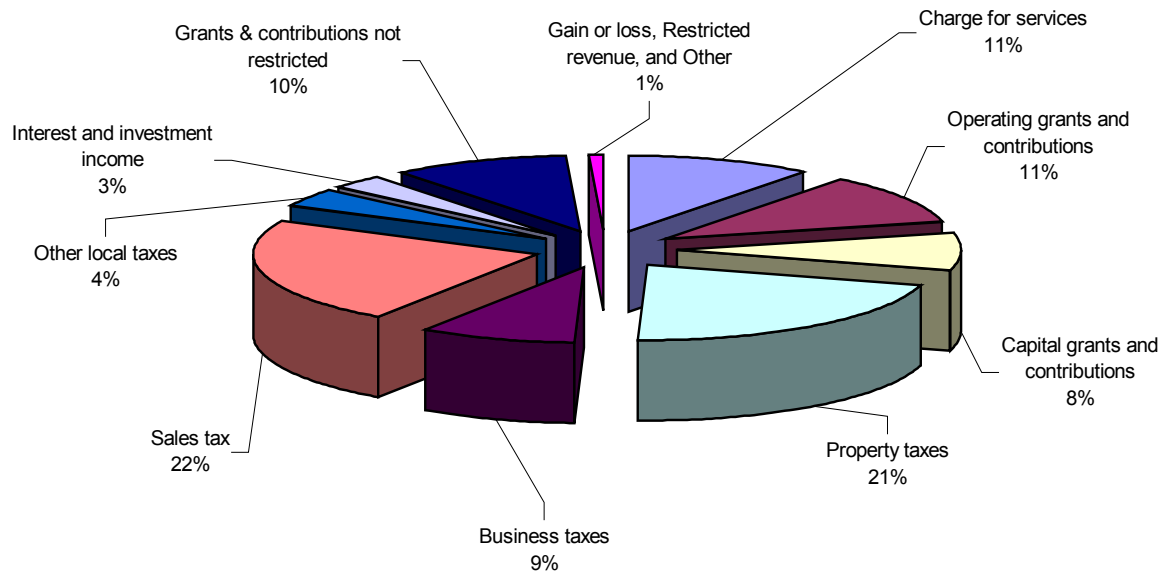
Revenues by Source - Governmental Activities 2003



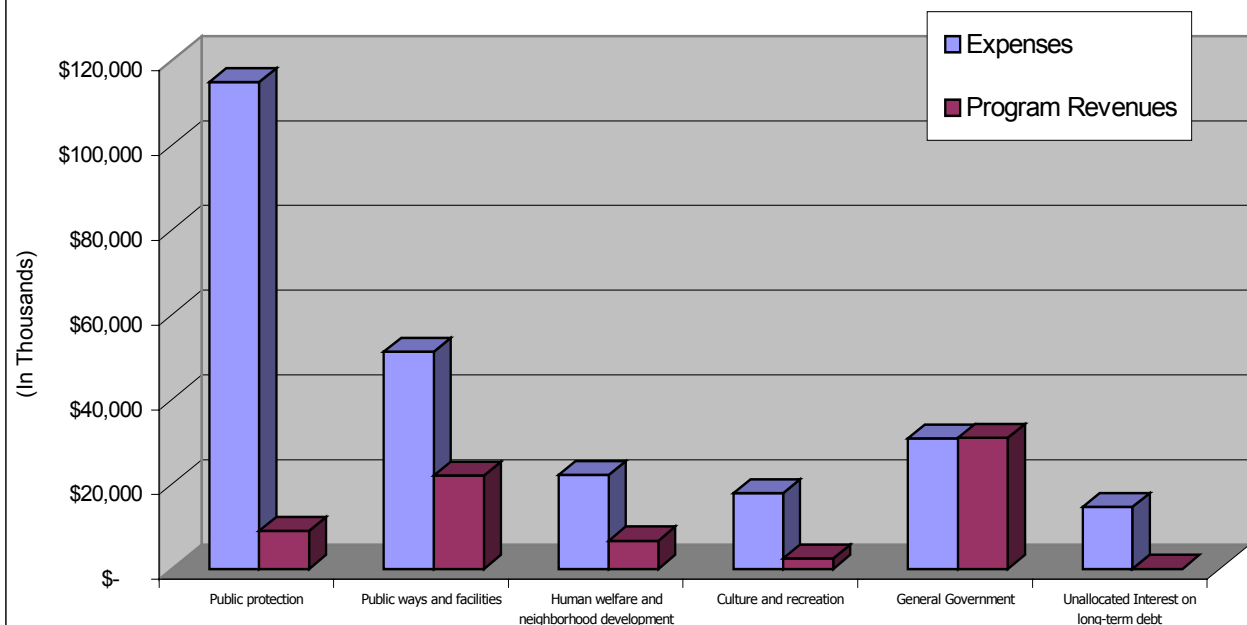
Expenses and Program Revenues - Governmental Activities 2003



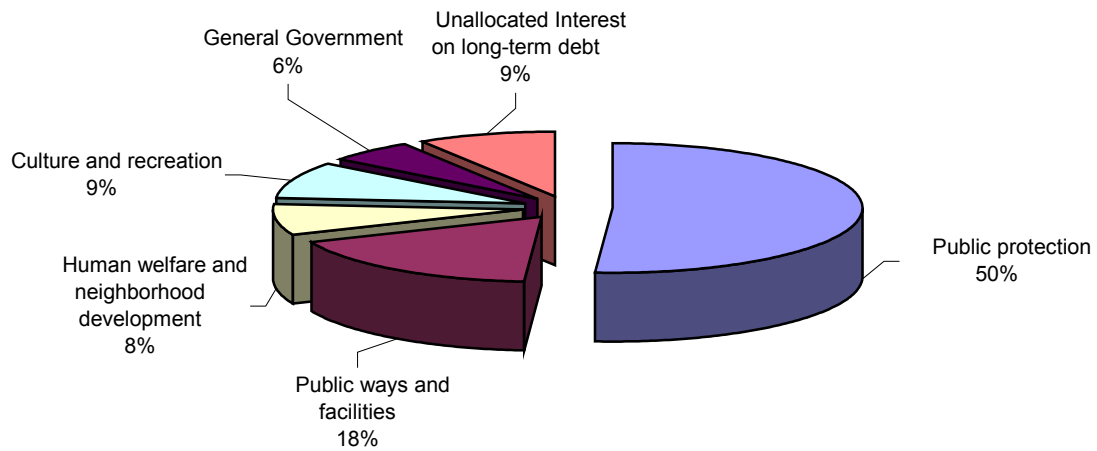
Revenues by Source - Governmental Activities 2002



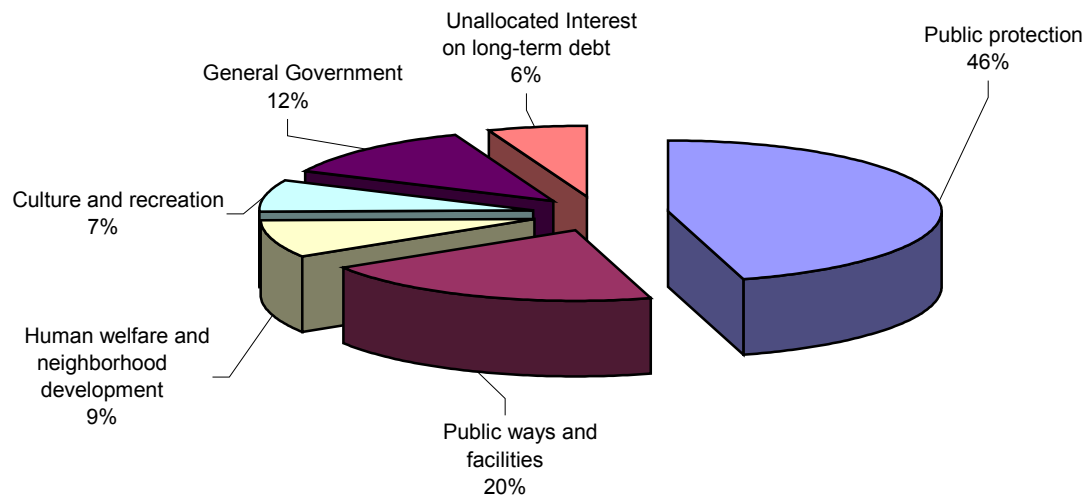
Expenses and Program Revenues - Governmental Activities 2002



Expenses by Type - Governmental Activities 2003



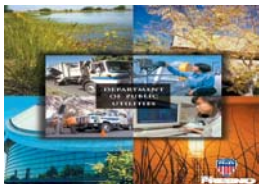
Expenses by Type - Governmental Activities 2002



Business-Type Activities

Business-type activities increased the City's net assets in 2003 by \$17,968,011, accounting for 62% of the total growth in City's net assets. Key factors of the increase are as follows:

- Public Utilities is the second largest department in the City. During fiscal year 2003, net assets increased by \$17,968,011 primarily due to its continuing leadership role in the State providing cost-effective water service.



The Water Division continually strives to improve and pursue best practices in each utility. As a result, the City of Fresno continues to have one of the lowest overall average monthly residential utilities bills of any city in the State and Central Valley. The typical monthly residential utility bill in Fresno for water, sewer, and solid waste totals \$48.69, which is over \$10 per month or 17% less than Clovis and over \$20 per month or 30% less than Selma. The Department was the recipient of State and National recognition for providing the most efficient municipal water service. In addition, it has water rates among the lowest in the ten largest cities of the State. The Water Division has a 30 million gallons per day (MGD) surface water treatment plant with support facilities under construction, which will be operational in 2004. The project is a key element of balancing the City's water budget, meeting water demands, and reversing a 70-year decline in groundwater elevations. The plant also provides the water system infrastructure necessary for economic development. This project was financed via a Water Revenue Bond issued in 1998.

- The Solid Waste Division of Public Utilities continues to expand the City's recycling program to comply with State mandates. The Division currently is diverting 750 tons of recyclables and 1,365 tons of green waste each week. Recycled material diversion has increased from 15,000 tons in 2000 to 39,000 tons in 2002, an increase of 160%. Green waste diversion has increased from 21,000 tons in 2000 to 70,000 tons in 2002, an increase of 233%. Even with these mandated recycling changes, prior to fiscal year 2003, there had been no rate increases for the previous eight years. In fiscal year 2003, rates were increased by 9.5% and 15% for residential and commercial customers, respectively.
- In 2003, the Solid Waste Division issued a Request for Proposal (RFP) and awarded a contract for a transfer station to reduce operating costs, promote diversion, and cut \$1.5 million in refuse miles which helps clean the Valley Air. In early July 2003, it also completed a Regional Sports Complex as part of the landfill closure project. The Complex includes nine soccer fields and six softball diamonds. The project accomplishes an environmentally sound landfill closure and provides a sports complex for local and regional tournament play.
- The Wastewater (Sewer) Division had gone six straight years without an increase in rates, despite significant increases in energy and other operations and maintenance costs. Technology and staffing efficiencies have provided significant cost savings paybacks. As a consequence of continuous improvement programs, the Division has a lower staffing level than in 1996.
- During fiscal year 2002, the Wastewater Division completed the first phase of a Power Generation Facility, which will use a combination of methane (a byproduct of wastewater treatment) and natural gas to lower operating costs and to generate enough electricity to serve approximately 7,000 homes and power the plant.
- Utilities operations by nature are very energy intensive and represent almost 70% of the City's total annual energy bill. As energy costs increased statewide, annual energy costs for the Public Utilities in 2002 increased from \$8.5 million to over \$13.5 million. That was an increase of over 58.8%. The energy market remains very uncertain, with many industry watchers predicting continuing increases. As a result of State



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mandates and increased energy costs, utility rates were increased for fiscal year 2003. The charge for a typical single-family residential customer for one month of service increased \$2.61 in fiscal year 2003 for a total of \$54.93, an overall increase of 4.99%. Despite this increase, the City's rates will remain among the lowest in the State.

- In order to maintain service that is clean, safe and reliable, Transportation (Transit) in conjunction with the Mayor's Office has been successful in pursuing new sources of revenues that will be used to purchase new Citywide buses. Over the last year, Congress awarded the City of Fresno \$700,000 in discretionary monies. The State of California awarded \$500,000 in grant funding. Both grants are being used to replace existing fixed route buses and Handy Ride vehicles. The Department is also seeking additional funding for a number of projects including a Downtown Commuter Incentive Program and Major Investment Study.

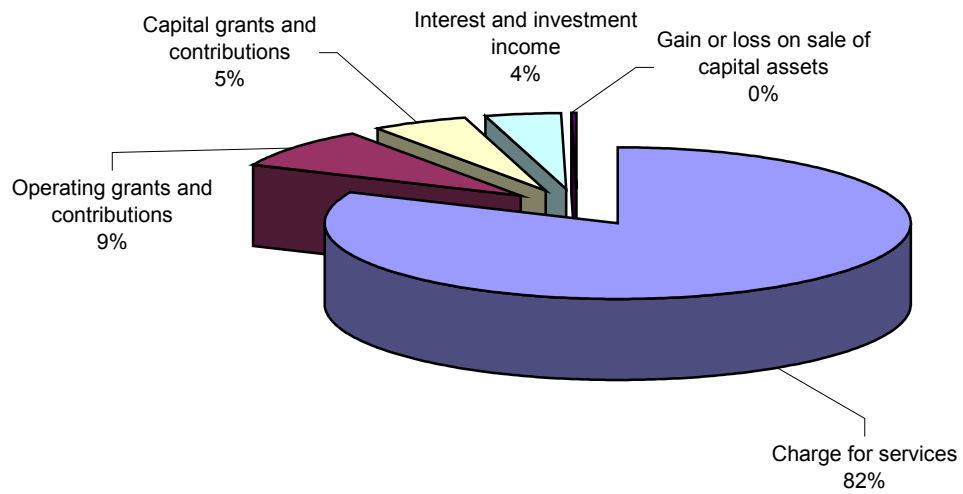


- Transportation assets (Transit and Airport) increased by approximately \$33 million during the prior year largely due to the addition of articulated buses and those that operate on compressed natural gas, and the completion of the Concourse at the Fresno Yosemite International Airport. The new Airport Concourse with seven new gates, six of which are capable of supporting boarding bridges, opened to passenger service in early 2003. Four of the bridges were in place upon completion of the Concourse; two will be installed once traffic levels are sufficient to justify installation.
- Under Federal law, the Transportation Security Administration (TSA) assumed responsibility for the security-screening checkpoint in the terminal. FYI entered into a Memorandum of Understanding (MOU) to provide a dedicated law enforcement officer at all times when the Security checkpoint is operational. FYI responded to the federal advisory changes to the national security level "Orange," and then the reduction back to "Yellow" in February 2003, in an efficient and cost-effective manner, which met all Federal requirements. Subsequent to September 11th, airlines cut flight schedules nationally, as well as at Fresno Yosemite. The Airport redoubled its efforts to retain and attract air service. Passengers flying through Fresno Yosemite International Airport outpaced the national recovery, which resulted in airlines expanding service to Fresno.
- FYI increased revenues by completing its second year of an airport industry standard, multi-year transition that increases airport rates and charges to achieve full cost recovery. For fiscal year 2003, terminal rental rates increased from \$26.50 to \$29.00 per sq. ft. per year. Landing fees increased from \$1.15 per 1,000 pounds of landing weight in fiscal year 2002 to \$1.35 in fiscal year 2003. The security screening charge increased from \$.40 per enplaned passenger to \$.75. Additionally, parking fares increased from \$10 to \$12 per day for short-term and \$6 to \$8 for long-term.

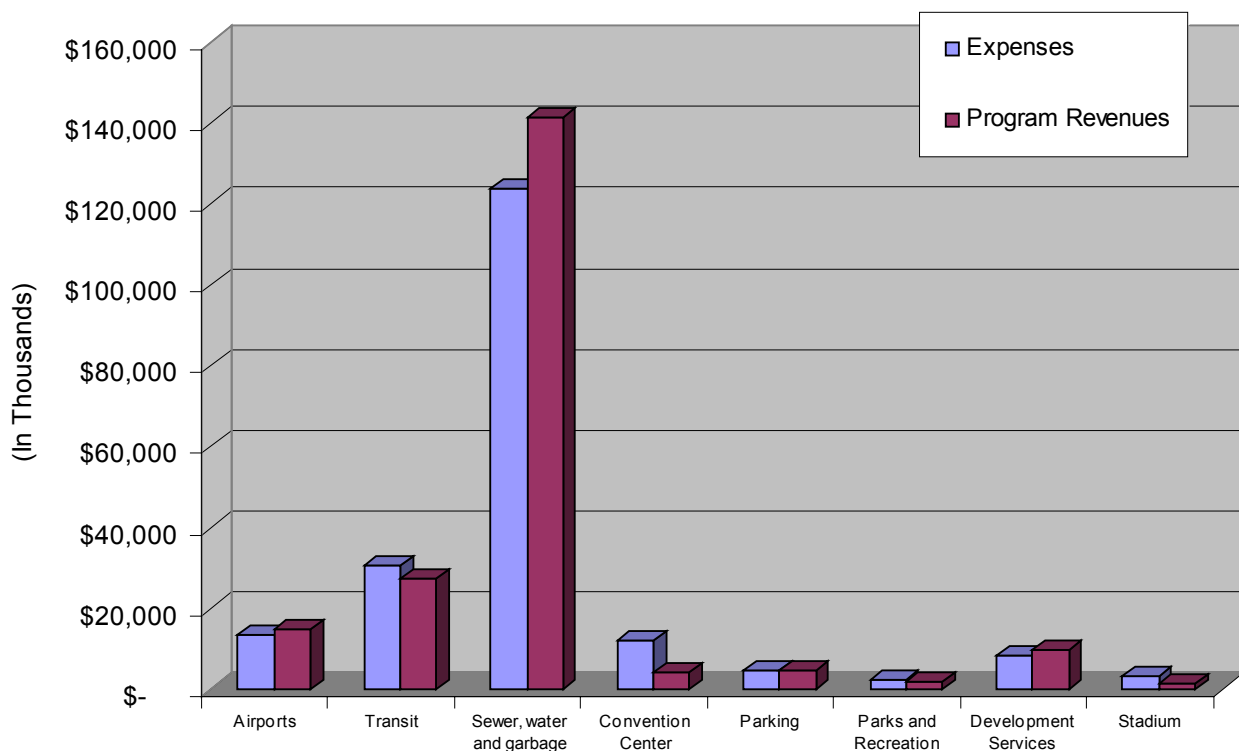


As shown in the charts on the adjacent pages, the largest of Fresno's business-type activities, the utilities – Sewer, Solid Waste Management and Water, followed by transit (FAX), each had expenses in excess of \$30 million in 2003 and \$29 million in fiscal year 2002, followed by Airports with operating expenses of approximately \$12.5 and \$10.3 million respectively. For the fiscal year, in only two of those did expenses exceed revenues, prior to transfers. For all business-type activities in 2003, except transit, fees provide the largest share of revenues [82%] followed by operating and capital grants and contributions [14%], which are primarily received by transit and interest and other income [4%]. These same figures for 2002 were fee revenues [78%] followed by operating and capital grants and contributions [15%], which are primarily received by transit and interest and other income [7%].

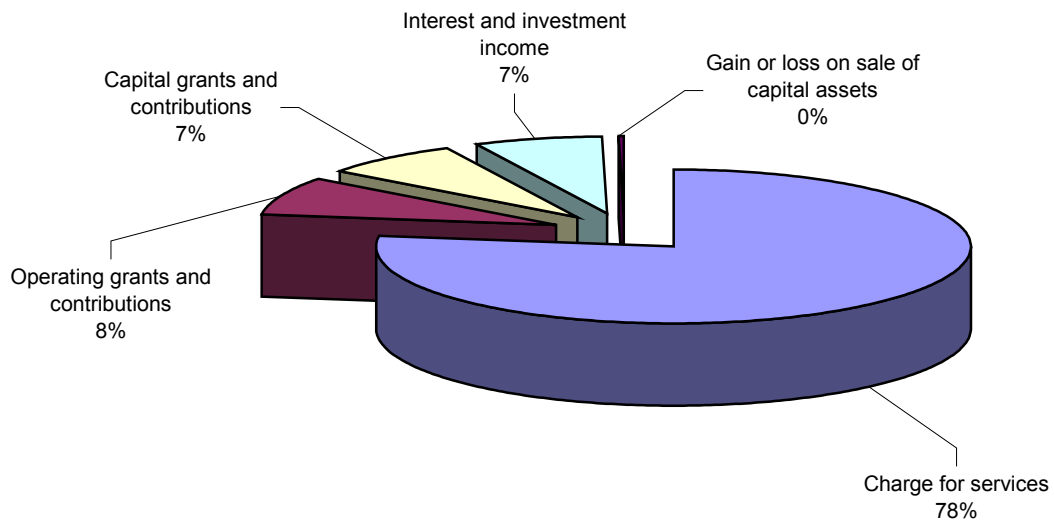
Revenues by Source - Business-type Activities 2003



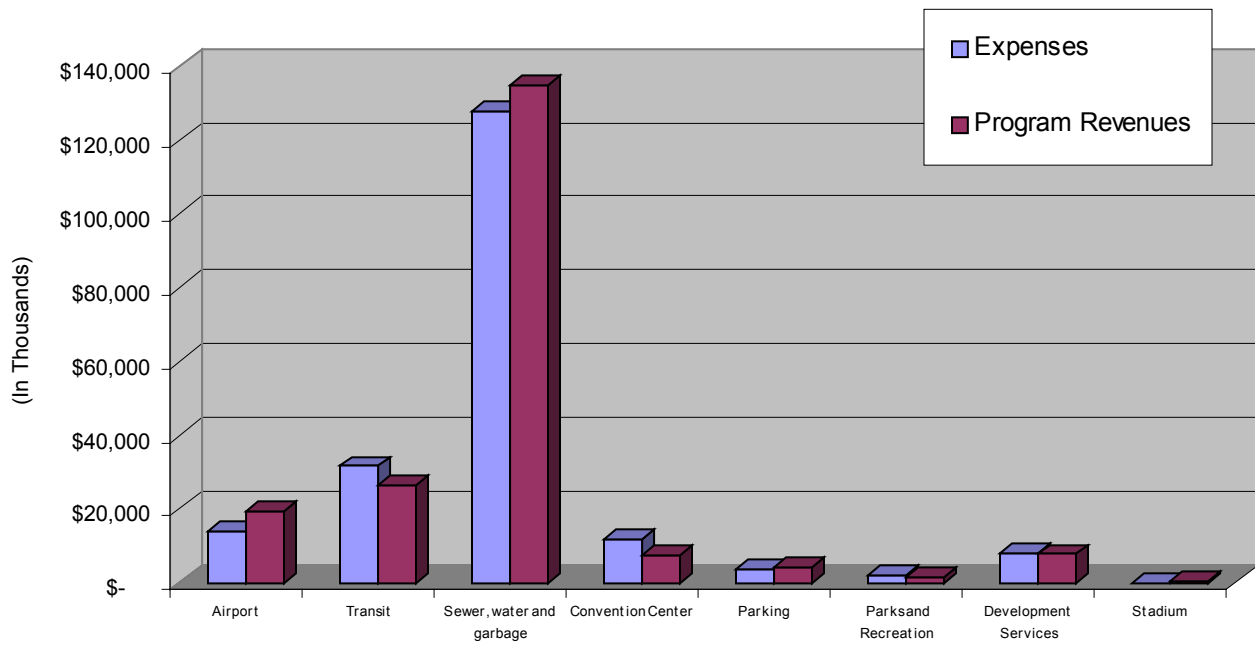
Expenses and Program Revenues - Business-type Activities 2003



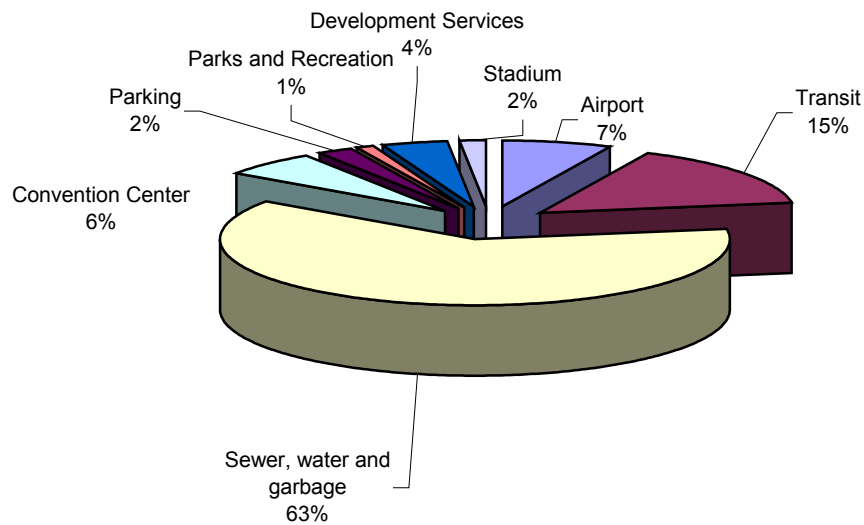
Revenues by Source - Business-type Activities 2002



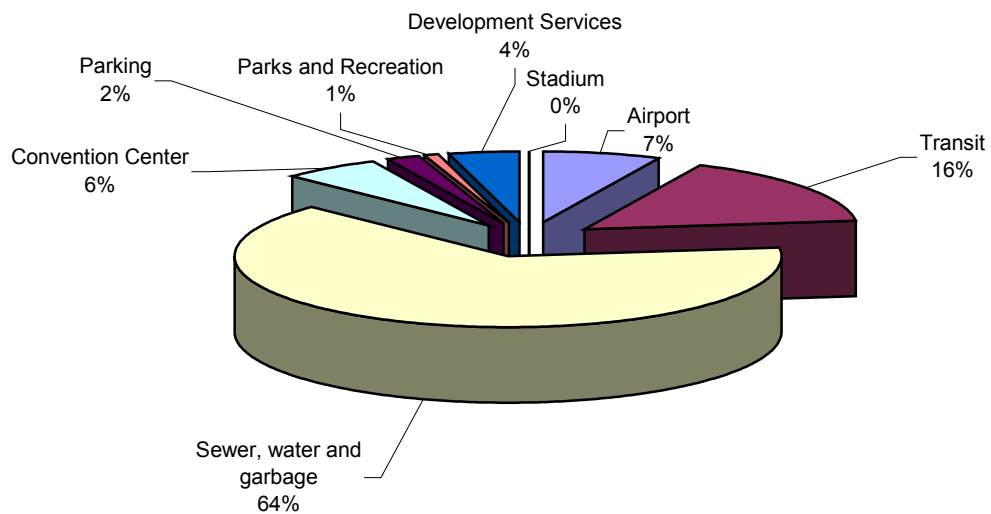
Expenses and Program Revenues - Business-type Activities 2002



Expenses by Type - Business-type Activities 2003



Expenses by Type - Business-type Activities 2002



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

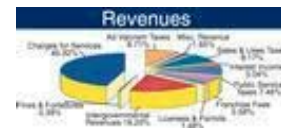
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.



At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$103,039,830. A deficit (\$54,933,513) of this total amount constitutes unreserved fund balance. Of this amount, a deficit (\$64,020,449) is related to Redevelopment Agency Debt Service Fund, a positive \$9,062,120 (exclusive of the \$10,172,256 designated for economic uncertainty) relates to the General Fund, and positive \$1,580,949 and a deficit (\$1,561,020) respectively, relate to Special Revenue Funds and Capital Project Funds. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders [\$21,651,130], (2) to fund continued programs or projects in the future fiscal periods [\$90,047,450], (3) property held for sale [\$24,926,078], and (4) for a variety of other restricted purposes [\$11,176,429].

These same figures for the fiscal year ended June 30, 2002, were; the City's governmental funds reported combined ending fund balances of \$106,170,228. A deficit (\$48,559,171) of this total amount constituted unreserved fund balance. Of this amount, a deficit (\$59,981,166) was related to Redevelopment Agency Debt Service Fund, a positive \$8,560,425 (exclusive of the \$10,000,000 designated for economic uncertainty) related to the General Fund, and a positive \$4,212,488 and a negative (\$1,354,483) respectively, related to Special Revenue Funds and Capital Project Funds. The remainder of the fund balance was reserved to indicate that it was not available for new spending because it had already been committed, (1) to liquidate existing contracts and purchase orders [\$21,304,512], (2) to fund continued programs or projects in the future fiscal periods [\$91,911,802], (3) property held for sale [\$20,476,179], and (4) for a variety of other restricted purposes [\$11,036,906].

Revenues for governmental functions overall totaled \$245,903,359 in fiscal year ended June 30, 2003. Expenditures for governmental functions totaled \$251,037,442 for the fiscal year ended June 30, 2003. In the fiscal year ended June 30, 2003, expenses for governmental functions exceeded revenues by (\$5,134,083), or slightly less than 2.1% prior to other funding sources. Other funding sources provided an additional \$2,003,685 in revenue, bringing the overall deficit down to (\$3,130,398). Prior to other funding sources, the General Fund provided revenues in excess of expenditures in the amount of \$16,237,016, Grants Fund provided \$1,691,287, Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling \$3,492,305 before transfers out and all Other Governmental Funds had a deficiency of revenues over expenditures totaling (\$26,554,691) before other financing sources/uses.



For the fiscal year ended June 30, 2002, revenues for governmental functions overall totaled \$237,843,431 and expenditures for governmental functions totaled \$244,902,290. Expenses for governmental functions exceeded revenues by (\$7,058,859), or slightly less than 2.9% prior to other funding sources. Other funding sources

City of Fresno

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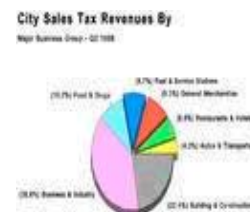
For the Fiscal Year Ended June 30, 2003

provided an additional \$2,659,233 in revenue, bringing the overall deficit down to (\$4,399,626). Prior to other funding sources, the General Fund provided revenues in excess of expenditures in the amount of \$15,072,326, Grants Fund provided \$8,000,637, Redevelopment Agency Debt Service Fund had an excess of revenues over expenditures totaling \$2,447,803 and all Other Governmental Funds had a deficiency of revenues over expenditures totaling (\$32,579,625).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$9,062,120, while total fund balance was \$34,293,699. The unreserved fund balance is after management's designation of \$10,172,256 as a Reserve for Economic Uncertainty. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, including the economic reserve, represents 11.9% of total General Fund expenditures of \$162,145,212, while total fund balance represents 21.1% of that same amount.

Comparatively, the figures for the fiscal year ended June 30, 2002, unreserved fund balance for the General Fund was \$8,560,425, while the total fund balance was \$32,758,679. The unreserved fund balance was after management's designation of \$10,000,000 as a Reserve for Economic Uncertainty. Unreserved fund balance, including the economic reserve, represented 12% of total General Fund expenditures of \$154,206,825, while total fund balance represented 21.2% of that same amount.

There was an unexpected drop in sales tax over and above the budget projections in 2002, resulting in a 2003-carryover balance significantly less than budgeted. However, operating expenditures were reduced to absorb the shortfall. The fiscal year 2003 revenues were approximately the same as budgeted. Expenditures, net of the revenue anticipation notes, were \$4.6 million below the final budgeted amount. All major departments operated significantly within or below their budgets. The major factors in the below-budget year in 2003 were savings realized on cautious and conservative spending in addition to deferral of maintenance and training. These savings enabled the General Fund to absorb the unanticipated carryover shortfall and continue to maintain budgeted service levels, without impacting the \$10 million Reserve for Economic Uncertainty.



Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.



At the end of the current fiscal year, the unrestricted net assets for the Water, Sewer, Solid Waste and Community Sanitation were \$28,262,745, \$88,675,260, \$2,177,414 and \$223,869 respectively. The unrestricted net assets for Airports and Development Services were \$15,323,802 and \$3,016,806. The Stadium and Transit had unrestricted net assets of \$1,046,734 and \$1,424,867, respectively. Parking, Parks and Recreation and Fresno Convention Center had deficits in unrestricted net assets, which were (\$789,141), \$1,760,207 and (\$36,144) respectively.

For the fiscal year ended June 2002, the comparable figures were unrestricted net assets for the Water, Sewer, Solid Waste and Community Sanitation of \$42,216,900, \$124,818,487, \$2,464,300 and \$1,063,284 respectively. Unrestricted net assets for Airports, Fresno Convention Center and Development Services were \$22,018,629, \$781,106 and \$1,587,538. The Stadium had no unrestricted net assets. Transit, Parking and Parks and Recreation had deficits in unrestricted net assets, which were (\$1,900,226), (\$408,950), and (\$1,505,530), respectively.

At June 30, 2003, Internal Service funds, which includes General Services and Billing and Collection, had unrestricted

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net assets of \$22,809,736 and \$1,850,118 and Risk Management has a deficit in unrestricted net assets of (\$43,030,921).

As of June 30, 2002, these figures were Internal Service funds, which includes General Services and Billing and Collection, with unrestricted net assets of \$19,352,465 and \$1,206,049 and Risk Management with a deficit in unrestricted net assets of (\$39,883,083).

Fiduciary Funds

The City maintains fiduciary funds for the assets of the Employee's Retirement System, Special Assessment Funds and City Department and Special Purposes monies. These are all monies or assets held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. At the end of fiscal year 2002-2003, the net assets of the Retirement System totaled \$786,679,810 for Fire and Police and \$714,891,703 for all others, representing a decrease of (\$2,546,332) and an increase of \$351,968 in total assets since June 30, 2002, respectively. The change is primarily related to decreases and recoveries in the market value of the respective Retirement System's investments. The City Department and Special Purpose Funds account for City-related trust activity such as payroll withholding and bid deposits and receipts and disbursements for the debt service activity of the special assessments districts.

At the end of fiscal year 2001-2002, the net assets of the Retirement System totaled \$789,226,142 for Fire and Police and \$714,539,735 for all others, representing a decrease of (\$83,163,307) and (\$73,624,879) in total assets since June 30, 2001, respectively. The change was primarily related to decreases in the market value of the Retirement System's investments.

General Fund Budgetary Highlights

The City's Amended Budget differs from the Adopted Budget in that it contains carry-forward appropriations for various programs and projects, and supplemental revenues and appropriations received and approved during the fiscal year. In fiscal year 2003, less than 1% supplemental appropriations were approved. The appropriations were for reimbursements to the Fire Department for the Mutual Aid Agreement for wild land fires, increases in Worker's Compensation costs and overtime for the Police Department.



During the year, actual revenues and other financing sources were above budgetary estimates by \$5,215,754. The majority of this amount is attributable to an upswing in the economy resulting in greater than anticipated sales tax and real estate transfer tax.



The most significant issue facing the City budget is the threat to the City's General Fund from relatively flat revenue growth due to economic conditions, and the very real possibility that a significant portion of the General Fund revenue stream will be taken by the State Government to balance the State Budget. This has happened repeatedly in the past, generally with revenues taken by the State never returning to local governments.

The General Fund is the revenue source used to fund public safety, with nearly 45.4% of the City of Fresno's General Fund going to support the Police and Fire Departments. Therefore, nearly every dollar cut from the General Fund threatens to take forty-five cents out of the Police and Fire Departments. The Major other discretionary uses of the General Fund are for parks, public works and the elected and appointed City officials.

Preserving and enhancing the General Fund will be a major challenge in fiscal year 2004 and numerous years to come.

The Budget theme was and will continue to be built on four cornerstones:

- ✓ *Maintain service levels and increase efficiencies.*
- ✓ *Protect the reserves.*
- ✓ *Increase public safety.*
- ✓ *Invest in downtown revitalization – Vision 2010.*

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2003, amount to \$1,554,830,253 (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, traffic signals, streetlights, and bridges. The net increase in the City's capital assets for the current fiscal year was approximately 2.7% (a 28% increase for governmental activities and a 7.2% increase for business-type activities) as shown in the table below.

Changes in Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$183,393,431	\$183,393,431	\$19,964,712	\$20,196,612	\$203,358,143	\$203,590,043
Buildings and Improvements	51,671,862	53,675,362	306,336,863	221,265,690	358,008,725	274,941,052
Machinery and equipment	5,245,728	3,252,998	47,001,224	59,257,784	52,246,952	62,510,782
Infrastructure	387,135,949	404,637,999	1,259,635	-	388,395,584	404,637,999
Construction in progress	93,515,626	64,289,855	459,305,223	502,893,375	552,820,849	567,183,230
Total	<u>\$720,962,596</u>	<u>\$709,249,645</u>	<u>\$833,867,657</u>	<u>\$803,613,461</u>	<u>\$1,554,830,253</u>	<u>\$1,512,863,106</u>

Major capital asset events during the fiscal year ended June 30, 2003, included the following:

- **Airport Concourse**

The Fresno Yosemite International Airport Concourse project was completed during the fiscal year and was opened to passengers in January 2003. This project was started in 2000 at a cost of nearly \$42 million.

- **Surface Water Treatment Plant**

Construction of the Surface Water Treatment Expansion continued through the fiscal year. \$17 million in construction costs was incurred during the 2003 fiscal year.

City of Fresno

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- Downtown Parking Lots

\$2.8 million was expended during the fiscal year towards the construction of two parking facilities. These facilities are being constructed primarily to enable additional parking access for the downtown multi-purpose stadium.

- Regional Park/Sports Complex

Construction costs of a new Regional Park/Sports Complex totaled \$1.2 million in fiscal year 2003. This facility adds an additional 268 acres of new parklands, and will be used for softball and soccer league/tournament play, and other recreational activities.

- Shaw/Marks Grade Separation

Construction costs expended for the Shaw/Marks Grade Separation was \$1.8 million during the year. This project will design and construct two underpass structures beneath the Burlington Northern Santa Fe rail corridor and associated roadwork. The project is expected to be completed in early fiscal year 2004 at an estimated cost of \$8.4 million in which 80% of the costs will be paid by the State.

Major capital asset events during the fiscal year ended June 30, 2002, included the following:

- The Airport concourse project incurred approximately \$16 million in capital expenditures during the fiscal year ended June 30, 2002, as part of the ongoing construction of the new Concourse with seven new gates. The new Concourse completed in late January 2003 cost approximately \$42 million and includes airline offices, a business center, meeting rooms, and phones with data ports.
- The Wastewater Treatment Expansion Project incurred costs of approximately \$8 million during the year. The treatment plant is expected to facilitate the City's growing population base and resulting need for wastewater treatment.
- In an effort to improve air quality, the Fresno Area Express (FAX), acquired 25 buses that operate on compressed natural gas and 10 articulated buses. The purchase of the buses represent more than a \$12.6 million capital investment in public transportation that will improve air quality as well as passenger accessibility and service delivery.
- Solid Waste Management planned to place 30 Liquefied Natural Gas (LNG) refuse trucks into service in the upcoming year. Eventually more than 120 of these vehicles will run on LNG.
- Construction costs of approximately \$34 million were incurred during fiscal year 2002 toward the completion of the \$45 million multi-purpose stadium. The 12,500-seat facility is the home to the San Francisco AAA baseball team (Grizzlies) and is the venue for concerts, international soccer, high school football, and numerous other community events.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from the first full month subsequent to the acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Additional information about the City's capital assets can be found in Note 6, pages 81-84 to the financial statements.

Debt Administration



At the end of the fiscal years, June 30, 2003, and 2002, the City had total long-term debt obligations outstanding of \$730.7 million and \$753.2 million respectively. Of this amount, \$207.8 million (2003) and \$211.5 million (2002) is general obligation bonds backed by the full faith and credit of the City and \$435.4 million (2003) and \$451.2 million (2002) are revenue bonds of the

City of Fresno**Management's Discussion and Analysis**

For the Fiscal Year Ended June 30, 2003

City's business enterprises. The remainder includes lease revenue bonds, certificates of participation, and tax allocation bonds for general governmental projects.

During fiscal year 2003, the City's total bonded debt decreased by approximately \$21.6 million as compared to \$18.5 million in 2002. The City advance refunded one bond, but issued no new debt in 2003. In 2002, the City advance refunded one bond, current-refunded one bond, and called and refunded one bond, but issued no new debt. The entire decrease in 2003 was due to normal principal payments and the early redemption of all but \$20,000 of the Sewer System Revenue Bonds, Series 1991. The entire decrease in 2002 was due to normal principal payments, and also a portion of the early redemption of the Sewer System Revenue Bonds, Series 1991.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capital are useful indicators of the City's debt position to management, citizens and investors. A comparison of these indicators follows:

	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
General Bonded debt	\$207,895,000	\$211,615,000	\$209,000,000
General Bonded debt per capita	\$478.88	\$478.88	\$479.69
Debt service tax rate per \$100 taxable value	\$1.23	\$1.25	\$1.30

The City's rating on uninsured general obligation bonds as of June 30, 2003, and 2002 were:

Moody's Investors Service, Inc.	A2
Standard and Poor's Corporation	A+

Following the events of September 11th, Standard & Poor's placed all its North American airport and airport-related facilities, including Fresno Yosemite International Airport, on CreditWatch. On August 21, 2002, Standard & Poor's published a summary stating that the outlook on the airport was stable, and removed it from CreditWatch.

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2003, and 2002, the City's debt limit (20% of valuation subject to taxation) was \$3.5 billion and \$3.3 billion respectively. The total amount of debt applicable to the debt limit was \$207.9 million and \$211.6 million in each year. The resulting margin was \$3.3 billion and \$3.1 billion respectively.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond, certificates of participation, and lease revenue bond issues subject to the arbitrage rebate requirements and has deferred credits and other liabilities in the governmental funds. Each Enterprise Fund has performed a similar analysis of the debt the respective enterprise has issued which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.



Special Assessment Debt

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee or paying agent, and initiating foreclosure proceedings, if appropriate. Special Assessment debt payable to bondholders was \$31,495,000 and \$32,872,224 at June 30, 2003, and 2002, respectively.

Solid Waste Management Enterprise Revenue Bonds, 2000 Series A

The City has issued its Solid Waste Management Enterprise Revenue Bonds, 2000 Series A, in accordance with an Indenture that sets forth various covenants designed to provide security to bond holders, including a rate covenant requiring that the City fix, prescribe and collect rates, fees and charges that will yield Net Revenues equal to at least 110% of estimated debt service. This disclosure is intended to assist in reconciling the analysis of this covenant with the financial data that appears in the Comprehensive Annual Financial Report (the "CAFR").



The definition of "Net Revenues" per the Bond Indenture is as follows:

*"Net Revenues means, for any fiscal year or other period, all rates, fees and charges **received** for, and all other income and **receipts** derived by the City from, the operation of the Solid Waste Management Enterprise or arising from the Solid Waste Management Enterprise as determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges received by the City for the Solid Waste Management Service all proceeds of insurance covering business interruption loss relating to the Solid Waste Management Enterprise, investment earnings on amounts held in the Revenue Fund, the Reserve Fund and the Rate Stabilization Fund established under the Indenture **and all other money howsoever derived** by the City from the operation of the Solid Waste Management Enterprise or arising from the Solid Waste Management Enterprise, less the Maintenance and Operation Costs during such fiscal year or period."*

A portion of the revenue received by the City is allocated to landfill closure, and not reported as operating revenue of the Solid Waste Management Enterprise Fund. Based upon the interpretation of the above definition of "Net Revenue", the revenue **received** from the operation of the Solid Waste Management Enterprise although subsequently transferred out to the Landfill Closure must be added back to CAFR Revenue for purposes of the Solid Waste coverage test. No revenue was transferred to the Landfill Closure for fiscal year 2003.

City of Fresno**Management's Discussion and Analysis**

For the Fiscal Year Ended June 30, 2003

The Indenture defines Net Revenues as current revenues from the operation of the Solid Waste Management Enterprise, net of Maintenance and Operation Expenses. As is customary, this definition of expenses excludes depreciation expense. To clarify the definition relative to the operations of the City, which manages its vehicles as part of a fleet operation, the definition of depreciation was expanded to include "*depreciation expense with respect to all vehicles used by the City in connection with the Solid Waste Management Enterprise.*"

Depreciation expense related to vehicles used by the City in connection with the Solid Waste Management Enterprise is not stated separately from "Maintenance and Operation Costs" in the City's CAFR. For Rate Coverage Test purposes, depreciation expense in connection with the Solid Waste Management Enterprise vehicles for fiscal year 2003 was \$2,073,495.

The Interest Income for Solid Waste on the CAFR includes all interest income received, not exclusively interest income derived from the operations of the Solid Waste Enterprise. Interpretation of the above definition for "Net Revenue" requires that the interest income received related to other than operations, specifically to Bond Construction, Principal, and Interest funds, needs to be excluded from the total interest figure on the CAFR. The interest income received and included in CAFR for the Bond Construction, Principal, and Interest Funds for fiscal year 2003 was \$92,391.

The following reconciles financial data as reported in the combining statements with the additional data supplied above for purposes of performing an analysis of the City's compliance with its rate covenant.

Operating Revenues as reported	\$37,300,555
Adjustment for landfill closure revenues	-
Reported interest earnings	251,893
Adjustment for interest attributable to bond funds	<u>(92,391)</u>
Adjusted revenues	<u>37,460,057</u>
Total Operating Expenses net of reported Depreciation, Amortization and Interest	34,638,375
Adjustment for depreciation for vehicles	<u>(2,073,495)</u>
	<u>32,564,880</u>
Adjusted Net Revenues	<u><u>\$ 4,895,177</u></u>
Interest Expense	\$883,592
Principal (Repayment of Bonds from Statement of Cash Flows)	<u>965,000</u>
Total Debt Service	<u><u>\$1,848,592</u></u>
Debt Service Coverage	<u><u>2.65</u></u>

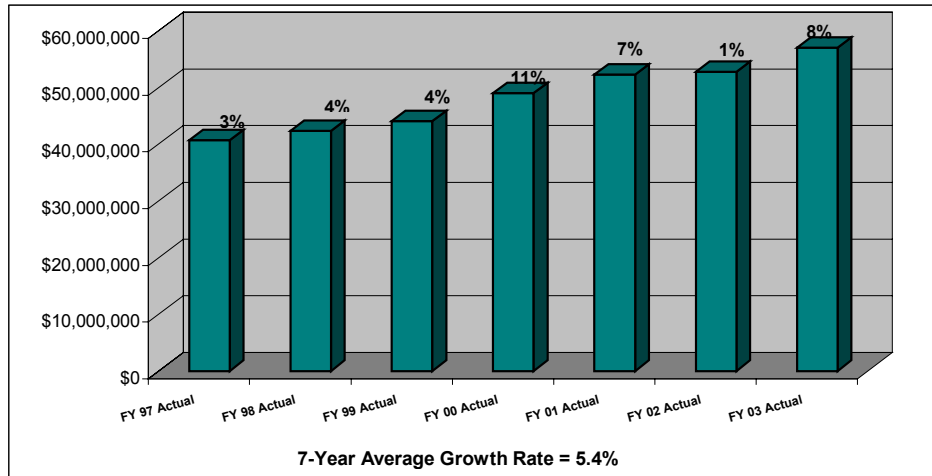
This disclosure relates only to those differences between financial information presented on the CAFR as compared to financial data specified and used in the calculation of the Rate Coverage Test on the Solid Waste Revenue Bonds, 2000 Series A. Each bond indenture must be referred to independently, in order to determine the specific covenants related to that debt.

Additional information on the City of Fresno's long-term obligations can be found in Note 7, pages 85-94 of this report.

ECONOMIC BUDGET FACTORS

- Sales tax is the largest single revenue source of the City and comprises 23% of governmental activity revenue but 34.1% of ongoing General Fund revenue. It is expected to remain relatively healthy with an anticipated increase of at least 3.5% in fiscal year 2004.
- The second largest single revenue source in the General Fund is property tax, which comprises 21% of governmental activity revenue but 24.9% of the General fund. The trend of this revenue source in prior years has been inconsistent. However, it is anticipated to grow by approximately 4% in fiscal year 2004.
- The third largest single revenue source for the General Fund is the Motor Vehicle In-Lieu. The VLF is an annual fee on the ownership of a registered vehicle in California, in place of taxing vehicles as personal property. The VLF is paid to the Department of Motor Vehicles (DMV) at the time of annual vehicle registration. The fee is charged in addition to other fees, such as the vehicle registration fee, air quality fees, and commercial vehicle weight fees. In 1998, the Legislature began a series of reductions in the VLF. The fee was reduced from a level of 2% down to an effective rate of 0.65%—a 67.5% decline. The Legislature has reduced the VLF through a series of decisions associated with the annual budget agreements. The first VLF reduction began on January 1, 1999, as part of the 1998-99 budget agreement. The fee was permanently reduced by 25% with the possibility of reductions increasing to 67.5% based on state revenue growth. A series of statutory triggers were constructed to determine future reductions by comparing General Fund revenue levels to the Department of Finance's *1998-99 May Revision* forecasted amounts. The maximum percentage reductions as outlined in the legislation were an increase to 35% in 2001, 46.5% in 2002, and 67.5% in 2003 and thereafter. The tax reduction level in place for 2004 would remain permanently.
- In fiscal year 2003, the Convention Center was at a critical crossroad with respect to its budget. The Center was facing a future of unprecedented issues, which if left unaddressed, would have an adverse impact upon the Center, the City's General Fund, the City's efforts towards downtown revitalization, and job creation. To address these demands, the budget for 2003-2004 included the privatization of professional marketing and operating services for the Convention Center. An RFP was issued in early spring and two proposals were received. Council approved the proposal presented by SMG, Inc. As a result the budget for 2003-2004 estimated a reduction of the General Fund subsidy to the Convention Center of approximately \$341,000. The anticipated savings will be used to fund debt service payments that will be needed to fund approximately \$10 to \$12 million in capital improvements and renovations that are needed for the Selland Arena. The first payments for these renovations are not anticipated to be made until fiscal year 2004. The initial savings of \$341,000 has been budgeted for neighborhood infrastructure projects, thereby offsetting a loss of State funding. As of the date of this financial statement, the terms of the contract with SMG, Inc., are being finalized. It is expected that SMG will assume operations as of January 1, 2004.

Sales Tax
(% Shown = Growth Over the Prior Year)

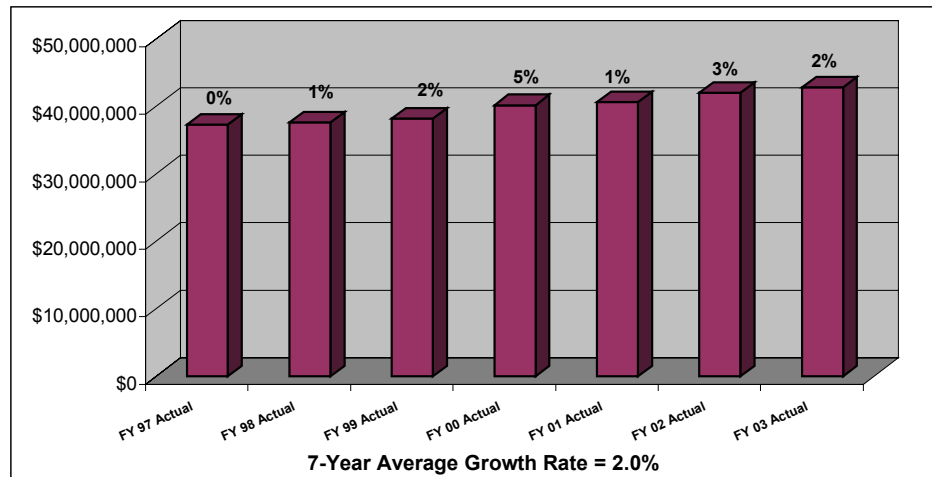


Mitigating Factors:

- Weak economic environment mitigated by post-war economics.
- Stable local spending trends despite National recessionary trends.
- FY 2002 includes a one-time \$750,000 or 1.4% negative adjustment.

Sales Tax Revenue FY 2004 Growth Estimate = 3.5%

Property Tax
(% Shown = Growth Over the Prior Year)



Mitigating Factors:

- Unprecedented home sales and prices in Fresno in the past two years.
- County Assessor validated significant progress made by his Office in reassessing Prop. 8 properties.
- Prop. 8 properties in the system = \$1.9 million. FY 2004 assumes that one-half, or \$925,000 have been reassessed.

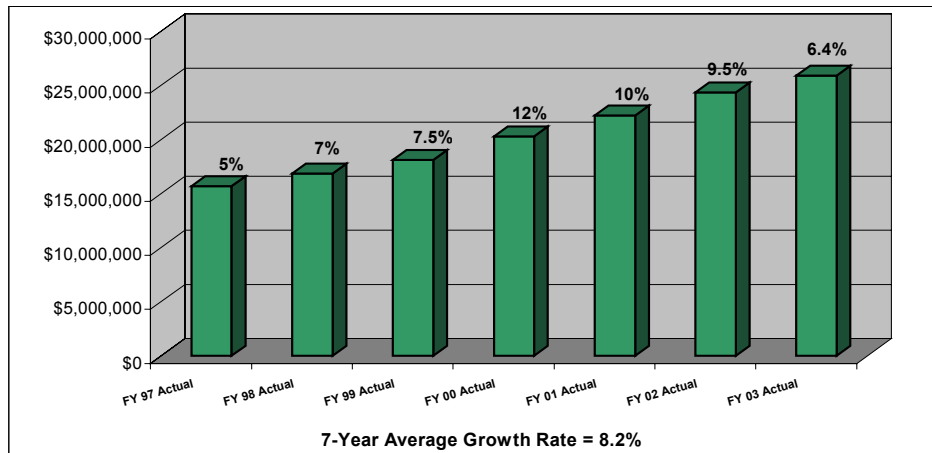
Property Tax Revenue FY 2004 Growth Estimate = 4.0%

City of Fresno

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

Motor Vehicle License Fees
(% Shown = Growth Over the Prior Year)

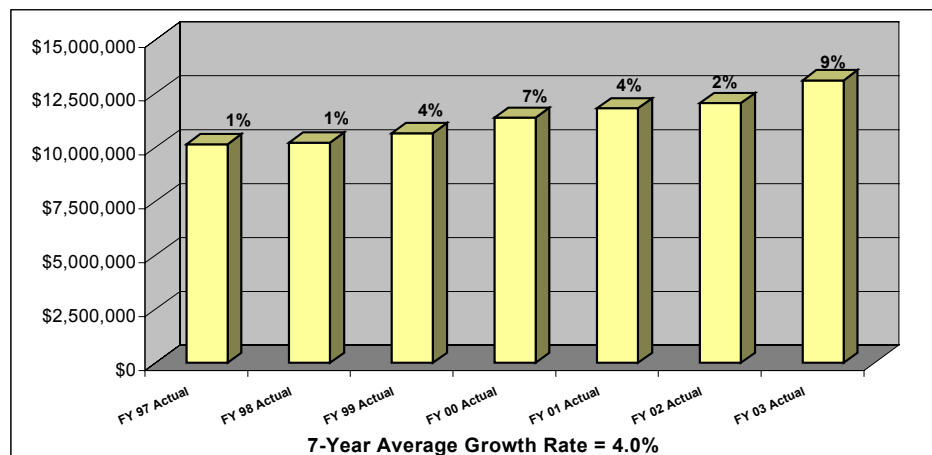


Mitigating Factors:

- Weak economic environment mitigated by post-war environment.
- Stable local spending trends despite National recessionary trends.
- Auto manufacturers continue to offer 0.0% interest rate promotions.

Motor Vehicle License Fee Revenue FY 2004 Growth Estimate = 4.5%

Business Tax
(% Shown = Growth Over the Prior Year)

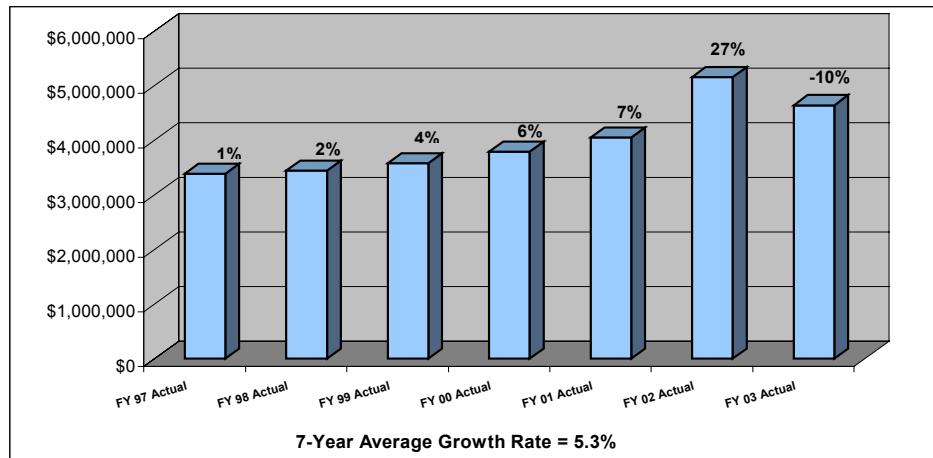


Mitigating Factors:

- Weak economic environment mitigated by post-war environment.
- Growth FY 2003 due to commencement of compliance efforts.
- Compliance efforts expected to continue, but not have the same impact as the first year.

Business Tax Revenue FY 2004 Growth Estimate = 5.0%

Franchise Tax (% Shown = Growth Over the Prior Year)

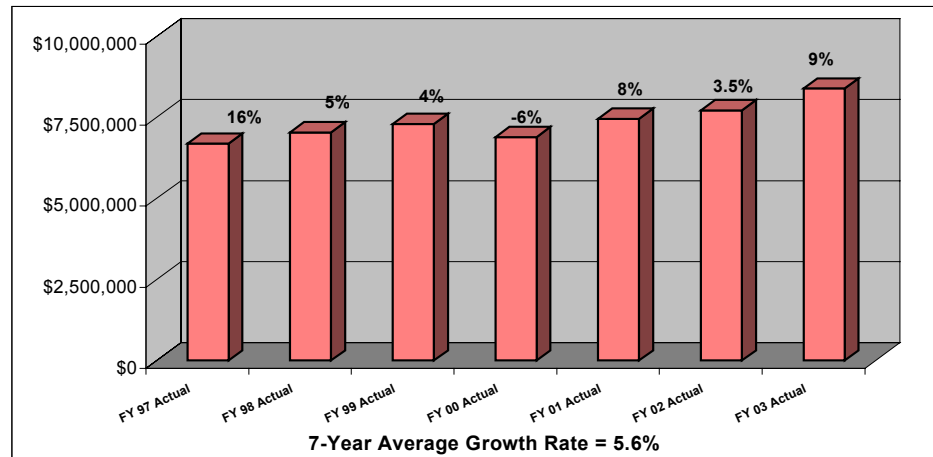


Mitigating Factors:

- Unstable revenue source as it is based on a regulated commodity.
- FY 2002 growth a clear anomaly due to unprecedented energy costs.
- Current energy prices, per PG&E representatives, expected to increase 3%-5% FY 2004; appears reasonable given trends.

Franchise Tax Revenue FY 2004 Growth Estimate = 3.5%

Room Tax (% Shown = Growth Over the Prior Year)



Mitigating Factors:

- Weak economic environment mitigated by post-war environment.
- Growth FY 2003 due to compliance efforts through education and training offered to each hotel/motel owner in the City of Fresno.
- Compliance efforts expected to continue, but not have the same impact as the first year.

Room Tax Revenue FY 2004 Growth Estimate = 3.0%

2004 Budget Overview

While the City continues to build its budgets on conservative estimates, the outcome of the State's budget crisis has left a cloud of uncertainty over Fresno and what impact is yet to be felt if certain funding sources do not materialize. The Administration and City Council continue to frame all decisions around Contingency Plans that have been developed. The range of possible State actions and resulting cuts across funds is impossible to determine, although it is likely that the City's General Fund will be cut, and as much as 10% if the VLF fees are taken from Cities. A Contingency Plan, which basically re-frames the options presented in the "Meeting the Challenge" report issued January 1, 2003, has been developed which includes various alternatives, which can be considered. Those include, in order of priority:



- ✓ Implement additional user fees as originally submitted to Council per the User Fee Study – a number of fees were not adopted at their originally recommended amounts by Council.
- ✓ Seek employee salary "give-back" on a permanent or temporary basis – employee services are more than half of the expenditures of the City's total budget. This means that any meaningful Contingency Plan that does not cut essential City services by exercising layoffs must include a salary "give-back" option.
- ✓ An across the board cut of the percentage required – this has superficial fairness, except for a small cut that is carefully analyzed (as was the case of the 2.5% across the board cut made in February 2003). Anything else could have serious adverse impacts on the delivery of essential services.
- ✓ Determine what programs and departments have priority, and target cuts to those departments or programs that are agreed that should be eliminated first. This option would preclude the use of the Option above in the event that the General Fund is hit by more than 3 to 5%. Targeted cuts to those departments or programs that are agreed to be eliminated first require careful and collaborative analysis.
- ✓ Use of the \$8.5 million in Reserve for Economic Uncertainty. It should be noted that use of the reserve would leave the City even more vulnerable during the remaining 5 to 7 years that it will take the state to climb out of its fiscal crisis. It would be more prudent and responsible to use a significant portion of the reserves to deal with what is likely to be the first in a series of difficult years.
- ✓ A combination of all of the above recommendations

The 2004 Budget reflects only the negative impacts from State budgetary actions that were reasonably known and certain at the time of its adoption.

- Loss of \$900,000 in Governors Transportation Improvement Program (GTIP) funding for streets and roads.
- Loss of \$600,000 in annual State Mandated Reimbursements.
- Indefinite deferral of \$10 million for street widening
- Indefinite deferral of \$6 million for street improvements

Based on the consensus that additional VLF take-away is a possibility, the City is carefully watching as events unfold

City of Fresno, California
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2003

at the State level. The prudent actions of the Mayor and Council in proceeding with the issuance of Bond Anticipation Notes for the known VLF backfill loss of \$5.078 million and establishing a Reserve for Economic Uncertainty has put the City in a better financial condition than our peer cities in the State. Because of the actions taken within the past two years, the City is in a better position to try to maintain essential services.

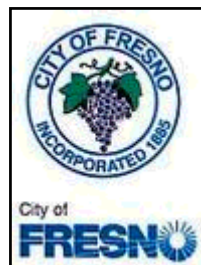
The City is facing some of the most challenging times in its history and the history of the State and Country. By maintaining the Mayor's four cornerstones and coming together as a united community, working together and facing the challenges head on in a conscientious and collaborative effort, we can insure a healthy future for our City.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below is the contact for questions about this report or requests for additional financial information.



City of Fresno



Office of the Controller/Finance Department
2600 Fresno Street, Room 2156
Fresno, California 93721-3622

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CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS

JUNE 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 42,261,801	\$ 94,234,082	\$ 136,495,883
Receivables, Net	33,837,631	30,752,445	64,590,076
Internal Balances	(8,798,229)	8,798,229	-
Inventories	-	3,051,078	3,051,078
Deferred Charges	4,108,646	8,054,211	12,162,857
Property Held for Resale	24,926,078	-	24,926,078
Restricted Cash	11,176,429	201,123,757	212,300,186
Restricted Grants and Interest Receivable	-	2,696,560	2,696,560
Loans, Notes, Leases Receivable	30,972,725	33,856,874	64,829,599
Capital Assets:			
Land and Other Assets			
Not Being Depreciated	276,909,057	479,269,935	756,178,992
Facilities Infrastructure and Equipment			
Net of Depreciation	444,053,539	354,597,722	798,651,261
Total Assets	859,447,677	1,216,434,893	2,075,882,570
Liabilities			
Accrued Liabilities	12,076,308	27,643,613	39,719,921
Unearned Revenue	699,998	39,543,889	40,243,887
Deposits from Others	376,128	47,476,205	47,852,333
Other Liabilities, Capacity Rights	-	25,088,023	25,088,023
Long-term Liabilities:			
Due Within One Year	28,818,681	16,669,487	45,488,168
Due in more than one year	325,356,719	442,808,171	768,164,890
Total Liabilities	367,327,834	599,229,388	966,557,222
Net Assets			
Invested in Capital Assets, Net of Related Debt	645,327,945	424,989,573	1,070,317,518
Restricted for:			
Capital Projects	59,982,708	-	59,982,708
Debt Service	5,090,052	35,089,947	40,179,999
Unrestricted (Deficit)	(218,280,862)	157,125,985	(61,154,877)
Total Net Assets	\$ 492,119,843	\$ 617,205,505	\$ 1,109,325,348

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2003

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General Government	\$ 13,262,004	\$ 11,868,241	\$ -	\$ 8,366,837
Public Protection	120,987,011	7,128,183	3,986,401	-
Public Ways and Facilities	41,535,886	9,735,686	5,265,029	11,972,044
Culture and Recreation	21,526,952	1,211,411	128,051	2,733,350
Community Development	12,667,757	264,714	2,437,159	-
Redevelopment	5,831,184	-	-	3,755,251
Interest on Long-term Debt	21,112,884	-	-	-
Total Governmental Activities	236,923,678	30,208,235	11,816,640	26,827,482
Business-type Activities				
Water System	34,619,206	39,702,643	154,075	3,554,220
Sewer System	40,721,859	46,502,457	-	4,808,930
Solid Waste Management	38,245,519	37,300,555	-	-
Transit	30,744,309	7,737,653	18,647,127	863,274
Airports	13,723,891	12,821,895	-	1,938,804
Fresno Convention Center	12,067,099	4,441,723	-	-
Community Sanitation	10,162,097	9,292,676	-	-
Parking	4,772,848	4,764,735	-	-
Parks and Recreation	2,232,681	1,803,938	-	-
Development Services	8,186,069	9,959,909	-	-
Stadium	3,254,464	1,571,101	-	-
Total Business-type Activities	198,730,042	175,899,285	18,801,202	11,165,228
Total Government	\$ 435,653,720	\$ 206,107,520	\$ 30,617,842	\$ 37,992,710

General Revenues:

Taxes and Licenses

Property Taxes

Sales Taxes

Franchise Taxes

Business License

Room Tax

Other Taxes

Revenue restricted for Infrastructure maintenance

Grants and contributions not restricted to specific programs

Investment earnings

Gain or (loss) on sale of capital assets

Transfers:

Total general revenues and transfers

Change in net assets

Net Assets, Beginning of Year

Net Assets, End of Year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 6,973,074	\$ -	\$ 6,973,074
(109,872,427)	-	(109,872,427)
(14,563,127)	-	(14,563,127)
(17,454,140)	-	(17,454,140)
(9,965,884)	-	(9,965,884)
(2,075,933)	-	(2,075,933)
(21,112,884)	-	(21,112,884)
<u>(168,071,321)</u>	<u>-</u>	<u>(168,071,321)</u>
-	8,791,732	8,791,732
-	10,589,528	10,589,528
-	(944,964)	(944,964)
-	(3,496,255)	(3,496,255)
-	1,036,808	1,036,808
-	(7,625,376)	(7,625,376)
-	(869,421)	(869,421)
-	(8,113)	(8,113)
-	(428,743)	(428,743)
-	1,773,840	1,773,840
-	(1,683,363)	(1,683,363)
<u>-</u>	<u>7,135,673</u>	<u>7,135,673</u>
<u>\$ (168,071,321)</u>	<u>\$ 7,135,673</u>	<u>\$ (160,935,648)</u>
\$ 53,832,808	\$ -	\$ 53,832,808
59,139,643	-	59,139,643
4,651,588	-	4,651,588
13,116,329	-	13,116,329
8,552,109	-	8,552,109
9,560,606	-	9,560,606
582,035	-	582,035
25,977,660	-	25,977,660
5,231,678	8,949,801	14,181,479
(406,310)	535,896	129,586
(1,346,641)	1,346,641	-
<u>178,891,505</u>	<u>10,832,338</u>	<u>189,723,843</u>
10,820,184	17,968,011	28,788,195
<u>481,299,659</u>	<u>599,237,494</u>	<u>1,080,537,153</u>
<u>\$ 492,119,843</u>	<u>\$ 617,205,505</u>	<u>\$ 1,109,325,348</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FUND FINANCIAL STATEMENTS

CITY OF FRESNO, CALIFORNIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2003

	General Fund	Grants Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 12,088,364	\$ -	\$ 3,688,373	\$ 19,349,038	\$ 35,125,775
Receivables, Net	5,978,381	-	-	721,570	6,699,951
Intergovernmental Receivables	11,303,493	3,980,160	-	8,762,579	24,046,232
Due From Other Funds	1,815,527	-	317,776	3,965,320	6,098,623
Advances to Other Funds	13,888,059	32,008,393	-	18,643,574	64,540,026
Property Held for Resale	-	-	-	24,926,078	24,926,078
Restricted Cash	-	3,975,841	1,833,255	5,367,333	11,176,429
Loans, Notes, Leases Receivables	-	23,924,769	602,834	5,456,722	29,984,325
Total Assets	\$ 45,073,824	\$ 63,889,163	\$ 6,442,238	\$ 87,192,214	\$ 202,597,439
Liabilities and Fund Balances					
Accrued Liabilities	\$ 4,211,572	\$ 1,026,653	\$ -	\$ 3,640,430	\$ 8,878,655
Unearned Revenue	3,226,517	-	-	700,000	3,926,517
Due to Other Funds	-	981,021	73,250	13,229,668	14,283,939
Advances From Other Funds	3,068,830	-	68,023,445	1,000,095	72,092,370
Deposits	273,206	101	-	102,821	376,128
Total Liabilities	10,780,125	2,007,775	68,096,695	18,673,014	99,557,609
Fund (Deficit) Balances					
Reserved for:					
Encumbrances	1,171,264	2,960,443	-	17,519,423	21,651,130
Non-current Receivables	13,888,059	52,396,496	532,737	23,230,158	90,047,450
Property Held for Resale	-	-	-	24,926,078	24,926,078
Restricted Assets	-	3,975,841	1,833,255	5,367,333	11,176,429
Unreserved:					
Designated for:					
Economic Uncertainty	10,172,256	-	-	-	10,172,256
Unreserved, Undesignated:					
Reported in:					
General Fund	9,062,120	-	-	-	9,062,120
Special Revenue Funds	-	2,548,608	-	(967,659)	1,580,949
Debt Service Funds	-	-	(64,020,449)	4,887	(64,015,562)
Capital Project Funds	-	-	-	(1,561,020)	(1,561,020)
Total Fund Balances (Deficit)	34,293,699	61,881,388	(61,654,457)	68,519,200	103,039,830
Total Liabilities and Fund Balances	\$ 45,073,824	\$ 63,889,163	\$ 6,442,238	\$ 87,192,214	\$ 202,597,439

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2003

Fund Balances – Total Governmental Funds	\$ 103,039,830
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Those assets consist of:

Land	\$	183,393,431	
Buildings and Improvements, net of \$38,282,315 accumulated depreciation		51,671,863	
Machinery and Equip, net of \$11,495,190 accumulated depreciation		5,245,652	
Infrastructure, net of \$466,242,573 accumulated depreciation		387,135,949	
Construction in Progress		93,515,626	
Total Capital Assets			720,962,521

Some of the City's property taxes (3,226,519) and sales tax (1,797,821) will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

5,024,340

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(2,526,625)

Other long-term assets are not available to pay for current-period expenditures and therefore are not recorded in the governmental funds.

280,083

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Bonds and Certificates of Participation	\$	(274,665,000)	
Notes Payable		(6,764,679)	
Capital Leases		(8,463,013)	
Compensated Absences		(10,781,319)	
Total Long Term Liabilities			(300,674,011)

Governmental funds report the effect of issuance costs, premium, original issue discount and refunding charge, when debt is first issued, whereas in the Statement of Activities these amounts are amortized to interest and amortization expense over the life of the debt.

Deferred Cost of Issuance	\$	4,108,646	
Deferred Amount on Refunding		28,779	
Unamortized Premium		(341,522)	
Unamortized Discount		148,774	
Total			3,944,677

Internal service funds are used by management to charge the costs of various activities, such as fleet and insurance to individual funds. Assets and liabilities of certain internal service funds are included in governmental activities in the statement of activities.

(37,930,972)

Net assets of Governmental activities	\$ 492,119,843
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The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2003

	General Fund	Grants Fund	Redevelopment Agency, Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 124,925,863	\$ -	\$ 9,125,270	\$ 13,065,810	\$ 147,116,943
Licenses and Permits	240,538	-	-	-	240,538
Intergovernmental	25,713,715	18,746,156	-	14,655,685	59,115,556
Charges for Services	18,309,032	160,678	-	3,975,242	22,444,952
Fines	701,664	-	-	-	701,664
Use of Money and Property	1,314,870	1,108,758	557,944	2,084,392	5,065,964
Contributed from Property Owners	-	-	-	1,625,437	1,625,437
Miscellaneous	7,176,546	638,981	143,053	1,633,725	9,592,305
Total Revenues	178,382,228	20,654,573	9,826,267	37,040,291	245,903,359
Expenditures					
Current:					
General Government	6,585,400	3,638,420	2,048,723	374,999	12,647,542
Public Protection	117,981,049	-	-	-	117,981,049
Public Ways and Facilities	11,740,117	-	-	18,193,357	29,933,474
Culture and Recreation	19,117,674	-	-	-	19,117,674
Community Development	2,070,571	9,224,762	-	1,358,451	12,653,784
Capital Outlay	2,657,956	6,100,104	-	20,645,933	29,403,993
Debt Service:					-
Principal	1,305,520	-	486,351	6,712,659	8,504,530
Interest	686,925	-	3,798,888	16,309,583	20,795,396
Total Expenditures	162,145,212	18,963,286	6,333,962	63,594,982	251,037,442
Excess (Deficiency) of Revenue Over (Under) Expenditures	16,237,016	1,691,287	3,492,305	(26,554,691)	(5,134,083)
Other Financing Sources (Uses)					
Transfers In	2,625,781	497,632	-	32,358,092	35,481,505
Transfers Out	(20,213,121)	(1,953,691)	(11,563,072)	(3,287,903)	(37,017,787)
Gain (Loss) on Sale of Property	-	-	-	(845,377)	(845,377)
Note Proceeds	-	1,500,000	-	-	1,500,000
Proceeds for Capital Lease Obligations	2,885,344	-	-	-	2,885,344
Total Other Financing Sources (Uses)	(14,701,996)	43,941	(11,563,072)	28,224,812	2,003,685
Net Change in Fund Balances	1,535,020	1,735,228	(8,070,767)	1,670,121	(3,130,398)
Fund Balances (Deficit) - Beginning	32,758,679	60,146,160	(53,583,690)	66,849,079	106,170,228
Fund Balances (Deficit) - Ending	\$ 34,293,699	\$ 61,881,388	\$ (61,654,457)	\$ 68,519,200	\$ 103,039,830

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$	(3,130,398)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$31,339,624) was exceeded by capital outlays (\$43,053,133) in the current period.

11,713,509

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(2,885,344)

Note proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, acquiring debt increases long-term liabilities and does not affect the state of activities. Additionally, repayment of principal is an expenditure in the governmental funds but reduces liability in the statement of net assets.

Note Proceeds	\$	(1,500,000)	
Principal payments to bond, certificate and note holders		8,504,530	
Net adjustment		<u>7,004,530</u>	7,004,530

Issuing loan proceeds increases long-term receivables in the Statement of Net Assets, but uses current financial resources of the governmental funds.

280,083

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Compensated Absences	\$	(444,130)	
Amortization of Debt Premium and Discount		17,041	
Amortization of Debt Issue Costs		(322,406)	
Amortization of Advanced Refunding Difference		(35,574)	
Accrued Interest on Bonds, Certificates, and Notes		<u>(104,317)</u>	
Combined adjustment			(889,386)

Property tax revenues (\$553,536) and sale tax revenue (1,797,821) in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

2,351,357

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expenses of certain activities of internal service funds is reported with governmental activities.

(3,624,167)

Change in net assets of governmental activities	\$	<u><u>10,820,184</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2003

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Assets				
Current Assets:				
Cash and Investments	\$ 16,362,491	\$ 37,926,044	\$ 2,475,247	\$ -
Interest Receivable	80,346	362,781	100,187	-
Accounts Receivable, Net	7,997,197	6,229,040	4,837,384	582,248
Grants Receivable	-	-	-	7,935,005
Inventories	895,835	1,279,746	-	421,459
Intergovernmental Receivables	-	866,620	-	165,554
Due from Other Funds	2,331,876	8,000,000	-	14,312
Total Current Assets	27,667,745	54,664,231	7,412,818	9,118,578
Non-Current Assets:				
Restricted:				
Cash and Investments	39,342,725	127,735,594	11,497,315	1,982,903
Grants and Interest Receivables	373,272	805,331	-	-
Total Restricted Assets	39,715,997	128,540,925	11,497,315	1,982,903
Other Assets:				
Other Receivables	1,825,058	25,682,233	-	-
Other Assets	800,874	3,174,620	343,089	-
Accounts Receivable from Solid Waste Rate Payers	-	-	5,358,123	-
Advances to Other Funds	2,013,501	680,169	43,659	-
Total Other Assets	4,639,433	29,537,022	5,744,871	-
Capital Assets:				
Land	1,365,751	1,152,055	849,137	-
Buildings, System and Improvement	139,424,416	119,195,724	918,869	49,152,833
Machinery & Equipment	1,528,469	17,377,252	18,602,336	-
Infrastructure	1,259,636	-	-	-
Construction in Progress	99,003,989	341,131,486	7,960,502	750,830
Less Accumulated Depreciation	(69,215,899)	(77,121,921)	(13,967,383)	(32,738,215)
Total Capital Assets, Net	173,366,362	401,734,596	14,363,461	17,165,448
Total Non-Current Assets	217,721,792	559,812,543	31,605,647	19,148,351
Total Assets	\$ 245,389,537	\$ 614,476,774	\$ 39,018,465	\$ 28,266,929

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
\$ 6,083,416	\$ -	\$ 651,181	\$ 4,998,798	\$ 68,497,177	\$ 32,872,931
48,352	-	1,252	40,620	633,538	396,195
259,454	95,269	-	820,753	20,821,345	16,264
-	-	-	-	7,935,005	-
20,000	-	-	-	2,617,040	434,038
-	-	-	723	1,032,897	-
859,773	-	-	2,491	11,208,452	6,238,859
<u>7,270,995</u>	<u>95,269</u>	<u>652,433</u>	<u>5,863,385</u>	<u>112,745,454</u>	<u>39,958,287</u>
8,618,734	5,493,856	2,762,967	1,220,264	198,654,358	2,469,399
1,517,957	-	-	-	2,696,560	-
<u>10,136,691</u>	<u>5,493,856</u>	<u>2,762,967</u>	<u>1,220,264</u>	<u>201,350,918</u>	<u>2,469,399</u>
-	-	-	-	27,507,291	-
1,365,233	877,923	1,492,472	-	8,054,211	1,207,720
-	-	-	-	5,358,123	-
5,664,610	2,788,557	-	207,758	11,398,254	2,099,826
<u>7,029,843</u>	<u>3,666,480</u>	<u>1,492,472</u>	<u>207,758</u>	<u>52,317,879</u>	<u>3,307,546</u>
9,079,942	2,215,259	710,000	4,535,879	19,908,023	56,688
117,709,147	70,773,477	38,067,167	20,969,217	556,210,850	14,767,450
1,639,114	1,096,976	1,400,146	688,878	42,333,171	94,508,810
-	-	-	-	1,259,636	-
7,877,376	418,297	-	1,684,658	458,827,138	478,085
(37,792,556)	(26,880,108)	(519,186)	(16,577,410)	(274,812,678)	(79,669,441)
<u>98,513,023</u>	<u>47,623,901</u>	<u>39,658,127</u>	<u>11,301,222</u>	<u>803,726,140</u>	<u>30,141,592</u>
<u>115,679,557</u>	<u>56,784,237</u>	<u>43,913,566</u>	<u>12,729,244</u>	<u>1,057,394,937</u>	<u>35,918,537</u>
\$ <u>122,950,552</u>	\$ <u>56,879,506</u>	\$ <u>44,565,999</u>	\$ <u>18,592,629</u>	\$ <u>1,170,140,391</u>	\$ <u>75,876,824</u>

(continued)

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

JUNE 30, 2003 (continued)

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Liabilities				
Current Liabilities:				
Accrued Liabilities	\$ 4,738,948	\$ 7,804,367	\$ 3,323,105	\$ 1,680,259
Accrued Compensated Absences	43,347	95,406	100,481	161,708
Liability for Self Insurance	-	-	-	-
Unearned Revenue	19,138,171	17,486,460	2,056,309	177,020
Due to Other Governments	-	-	-	1,920,961
Due to Other Funds	125,754	87,101	-	4,757,682
Bonds Payable	1,455,000	6,380,000	1,010,000	-
Capital Lease Obligations	-	-	-	-
Notes Payable	266,158	-	-	-
Total Current Liabilities	25,767,378	31,853,334	6,489,895	8,697,630
Non-current Liabilities:				
Accrued Compensated Absences	473,052	609,902	520,318	978,984
Capital Lease Obligations	-	-	-	-
Liability for Self-Insurance	-	-	-	-
Bonds Payable	43,693,158	230,935,847	14,792,740	-
Notes Payable	2,437,999	-	-	-
Other Liabilities	-	25,088,023	-	-
Accrued Closure Costs	-	-	9,754,385	-
Advances From Other Funds	-	-	666,519	-
Deposits Held for Others	12,992,287	32,424,021	-	-
Total Non-current Liabilities	59,596,496	289,057,793	25,733,962	978,984
Total Liabilities	85,363,874	320,911,127	32,223,857	9,676,614
Net Assets				
Invested in Capital Assets, Net of Related Debt	127,952,046	187,900,259	3,287,320	17,165,448
Restricted for Debt Service	3,810,872	16,990,128	1,329,874	-
Unrestricted (Deficit)	28,262,745	88,675,260	2,177,414	1,424,867
Total Net Assets (Deficit)	\$ 160,025,663	\$ 293,565,647	\$ 6,794,608	\$ 18,590,315

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Totals		
\$ 1,846,790	\$ 1,077,544	\$ 327,800	\$ 1,411,235	\$ 22,210,048	\$	4,170,044
109,681	44,175	-	141,375	696,173		293,545
-	-	-	-	-		16,807,701
-	-	-	685,929	39,543,889		-
-	-	-	-	1,920,961		-
-	2,224,417	770,372	1,279,249	9,244,575		27,899
630,000	2,160,000	720,000	-	12,355,000		-
-	-	-	-	-		3,082,459
-	-	-	-	266,158		-
<u>2,586,471</u>	<u>5,506,136</u>	<u>1,818,172</u>	<u>3,517,788</u>	<u>86,236,804</u>		<u>24,381,648</u>
555,947	244,845	-	928,750	4,311,798		2,078,418
-	-	-	-	-		2,184,481
-	-	-	-	-		36,488,831
41,752,149	43,889,006	45,251,731	-	420,314,631		-
-	-	-	-	2,437,999		-
-	-	-	-	25,088,023		-
-	-	-	-	9,754,385		-
531,089	-	-	2,153,542	3,351,150		2,638,309
30,468	427,698	-	-	45,874,474		1,601,731
<u>42,869,653</u>	<u>44,561,549</u>	<u>45,251,731</u>	<u>3,082,292</u>	<u>511,132,460</u>		<u>44,991,770</u>
<u>45,456,124</u>	<u>50,067,685</u>	<u>47,069,903</u>	<u>6,600,080</u>	<u>597,369,264</u>		<u>69,373,418</u>
56,130,874	1,574,894	(5,196,888)	11,301,222	400,115,175		24,874,473
6,039,752	5,273,071	1,646,250	-	35,089,947		-
15,323,802	(36,144)	1,046,734	691,327	137,566,005		(18,371,067)
<u>\$ 77,494,428</u>	<u>\$ 6,811,821</u>	<u>\$ (2,503,904)</u>	<u>\$ 11,992,549</u>	<u>572,771,127</u>	<u>\$</u>	<u>6,503,406</u>

Some amounts reported for Business-type activities in the statement of net assets are different due to certain internal service fund assets and liabilities being included with Business-type activities.

44,434,378

Net assets of business-type activities

\$ 617,205,505

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2003

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
Operating Revenues:				
Charges for Services	\$ 39,702,643	\$ 46,502,457	\$ 37,300,555	\$ 7,737,653
Operating Expenses:				
Cost of Services	20,666,541	20,457,619	22,596,188	21,970,899
Administration	7,719,088	6,744,890	12,049,585	5,431,000
Amortization	28,580	209,220	29,100	-
Depreciation	3,680,015	3,227,484	1,979,770	2,638,804
Total Operating Expenses	32,094,224	30,639,213	36,654,643	30,040,703
Operating Income	7,608,419	15,863,244	645,912	(22,303,050)
Non-operating Revenue (Expenses):				
Operating Grants	154,075	-	-	18,647,127
Interest Income	873,348	5,617,158	251,893	-
Interest Expense	(2,527,238)	(10,070,378)	(876,194)	(102,407)
Loss on Sale of Capital Assets	-	(31,392)	446,583	5,603
Total Non-operating Revenue (Expenses)	(1,499,815)	(4,484,612)	(177,718)	18,550,323
Income (Loss) Before Contributions and Transfers	6,108,604	11,378,632	468,194	(3,752,727)
Capital Contributions	3,554,220	4,808,930	-	863,274
Transfer In	148,171	106,890	967,312	1,763,022
Transfer Out	(373,850)	(512,692)	(410,730)	(659,572)
Change in Net Assets	9,437,145	15,781,760	1,024,776	(1,786,003)
Total Net Assets (Deficit) - Beginning	150,588,518	277,783,887	5,769,832	20,376,318
Total Net Assets (Deficit) - Ending	\$ 160,025,663	\$ 293,565,647	\$ 6,794,608	\$ 18,590,315

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	
\$ 12,821,895	\$ 4,441,723	\$ 1,571,101	\$ 25,821,258	\$ 175,899,285	\$ 103,134,723
7,107,061	4,885,201	20,472	13,304,255	111,008,236	72,153,016
2,638,712	2,346,131	40,211	11,196,851	48,166,468	19,175,537
78,405	74,595	80,349	-	500,249	-
2,650,939	2,442,542	519,186	626,422	17,765,162	17,424,735
12,475,117	9,748,469	660,218	25,127,528	177,440,115	108,753,288
346,778	(5,306,746)	910,883	693,730	(1,540,830)	(5,618,565)
-	-	-	-	18,801,202	-
640,013	163,542	139,966	372,016	8,057,936	1,143,092
(1,164,601)	(2,014,627)	(2,594,246)	(39,826)	(19,389,517)	(304,003)
-	-	(42,877)	-	377,917	115,102
(524,588)	(1,851,085)	(2,497,157)	332,190	7,847,538	954,191
(177,810)	(7,157,831)	(1,586,274)	1,025,920	6,306,708	(4,664,374)
1,938,804	-	-	-	11,165,228	-
18,836	6,197,432	714,800	469,812	10,386,275	806,006
(200,657)	(348,174)	-	(1,861,593)	(4,367,268)	(5,288,731)
1,579,173	(1,308,573)	(871,474)	(365,861)	23,490,943	(9,147,099)
75,915,255	8,120,394	(1,632,430)	12,358,410		15,650,505
\$ 77,494,428	\$ 6,811,821	\$ (2,503,904)	\$ 11,992,549		\$ 6,503,406

Some amounts reported for Business-type activities in the statement of activities are different due to the net revenue (expenses) of certain internal service funds being reported with Business-type activities.

(5,522,932)

Change in Net Assets of business-type activities

\$ 17,968,011

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2003

	Business-Type Activities - Enterprise Funds			
	Water System	Sewer System	Solid Waste Management	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 38,442,313	\$ 54,350,897	\$ 36,181,140	\$ 8,024,865
Cash Received from Interfund Services Provided	226,801	23,800	1,291,238	11,512
Cash Payment to Suppliers for Services	(16,725,446)	(7,971,847)	(10,020,425)	(6,647,702)
Cash Paid for Interfund Services Used	(8,123,010)	(10,319,801)	(13,028,170)	(4,356,773)
Cash Payments to Employees for Services	(6,865,040)	(7,175,450)	(11,165,416)	(16,871,953)
Cash Payment for Claims and Refunds		-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>6,955,618</u>	<u>28,907,599</u>	<u>3,258,367</u>	<u>(19,840,051)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	3,554,220	4,808,930	-	863,274
Interest payments on capital debt	(2,348,189)	(10,343,793)	(879,160)	(131,374)
Proceeds from issuance of capital debt	16,919,201	-	-	-
Retirement of capital debt	(17,116,261)	-	-	-
Payment for cost of issuance	(448,568)	-	-	-
Principal payments on capital debt-bonds	(970,000)	(12,185,000)	(965,000)	-
Principal payments on capital debt-notes	(260,271)	-	-	-
Principal payment on capital lease obligations	-	-	-	-
Proceeds from loans	276,915	-	-	-
Proceeds from sale of capital assets	-	-	-	2,162
Acquisition and construction of capital assets	(26,014,872)	(19,556,371)	(2,618,170)	(799,031)
Receipt of restricted deposits	4,366,182	-	-	-
Net Cash (Used for) Capital and Related Financing Activities	<u>(22,041,643)</u>	<u>(37,276,234)</u>	<u>(4,462,330)</u>	<u>(64,969)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Grants	154,075	-	446,583	18,839,583
Transfers In	148,171	106,890	967,312	1,763,022
Transfers Out	(373,850)	(512,692)	(410,730)	(659,572)
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>(71,604)</u>	<u>(405,802)</u>	<u>1,003,165</u>	<u>19,943,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on Investments	900,828	5,916,410	314,917	-
(Purchase) Proceeds of investments securities with trustees	3,809,591	(887,590)	-	-
Net cash provided by investing activities	<u>4,710,419</u>	<u>5,028,820</u>	<u>314,917</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(10,447,210)</u>	<u>(3,745,617)</u>	<u>114,119</u>	<u>38,013</u>
Cash and cash equivalents, beginning of year	<u>66,152,426</u>	<u>152,651,776</u>	<u>12,528,569</u>	<u>1,944,890</u>
Cash and cash equivalents, end of year	<u>\$ 55,705,216</u>	<u>\$ 148,906,159</u>	<u>\$ 12,642,688</u>	<u>\$ 1,982,903</u>

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
Airports	Fresno Convention Center	Stadium	Other Enterprise Funds	Total	
\$ 18,264,024	\$ 4,944,208	\$ 934,195	\$ 25,077,578	\$ 186,219,220	\$ 7,086,542
28,819	7,855	-	1,182,138	2,772,163	70,185,439
(8,171,411)	(2,933,754)	(21,676)	(5,687,209)	(58,179,470)	(25,064,213)
(1,547,766)	(901,005)	-	(6,721,688)	(44,998,213)	(5,946,583)
(5,264,947)	(3,158,788)	(2,387)	(11,546,527)	(62,050,508)	(23,115,444)
-	-	-	-	-	(12,396,325)
<u>3,308,719</u>	<u>(2,041,484)</u>	<u>910,132</u>	<u>2,304,292</u>	<u>23,763,192</u>	<u>10,749,416</u>
1,938,804	-	-	-	11,165,228	-
(2,397,034)	(1,999,550)	(2,725,464)	(10,108)	(20,834,672)	(349,823)
-	-	(135,905)	-	16,783,296	-
-	-	-	-	(17,116,261)	-
-	-	-	-	(448,568)	-
(600,000)	(2,110,000)	-	-	(16,830,000)	(500,000)
-	-	-	-	(260,271)	-
-	-	-	(55,255)	(55,255)	(3,132,916)
-	-	-	-	276,915	-
-	-	-	(4,943)	(2,781)	139,900
(9,119,614)	(77,656)	(1,090,204)	(245,377)	(59,521,295)	(3,994,202)
-	-	-	-	4,366,182	-
<u>(10,177,844)</u>	<u>(4,187,206)</u>	<u>(3,951,573)</u>	<u>(315,683)</u>	<u>(82,477,482)</u>	<u>(7,837,041)</u>
-	-	-	-	19,440,241	-
18,836	6,197,432	714,800	469,812	10,386,275	806,006
(200,657)	(348,174)	-	(1,861,593)	(4,367,268)	(5,288,731)
<u>(181,821)</u>	<u>5,849,258</u>	<u>714,800</u>	<u>(1,391,781)</u>	<u>25,459,248</u>	<u>(4,482,725)</u>
617,739	163,542	95,837	381,206	8,390,479	1,178,658
-	-	-	-	2,922,001	-
<u>617,739</u>	<u>163,542</u>	<u>95,837</u>	<u>381,206</u>	<u>11,312,480</u>	<u>1,178,658</u>
(6,433,207)	(215,890)	(2,230,804)	978,034	(21,942,562)	(391,692)
<u>18,122,697</u>	<u>3,168,957</u>	<u>4,013,958</u>	<u>5,241,028</u>	<u>263,824,301</u>	<u>35,442,096</u>
<u>\$ 11,689,490</u>	<u>\$ 2,953,067</u>	<u>\$ 1,783,154</u>	<u>\$ 6,219,062</u>	<u>\$ 241,881,739</u>	<u>\$ 35,050,404</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

STATEMENT OF CASH FLOW PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2003 (Continued)

	Business-Type Activities - Enterprise Funds		
	Water Systems	Sewer Systems	Solid Waste Management
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 7,608,419	\$ 15,863,244	\$ 645,912
Adjustment to reconcile operating income to net cash Provided by (used for) operating activities:			
Depreciation expense	3,680,015	3,227,484	1,979,770
Amortization expense	28,580	209,220	29,100
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	93,324	452,930	(146,311)
Decrease (increase) in other receivables	437,324	687,385	(518,630)
Decrease (increase) in interest receivable - Restricted	-	261,564	-
Decrease (increase) in due from other funds	1,010,723	2,716,097	668,081
Decrease (increase) in due from other governments	-	(85,990)	-
Decrease (increase) in material and supplies inventory	52,725	(32,974)	-
Decrease (increase) in prepaid items	-	-	135,179
Decrease (increase) in advances to other funds	(377)	52,290	-
(Decrease) increase in accrued liabilities	1,988,590	1,589,683	1,452,463
(Decrease) increase in due to other funds	30,199	(82,862)	-
(Decrease) increase advances from other funds	-	-	-
(Decrease) increase in other liabilities	-	(712,588)	-
(Decrease) increase in CIP Retention payable	(60,791)	-	(1,069,739)
(Decrease) increase in accrued closure costs	-	-	(86,141)
(Decrease) increase in unearned revenue	217,681	3,559,924	168,683
(Decrease) increase in liability for self-insurance	-	-	-
(Decrease) increase in restricted deposits	(8,130,794)	1,202,192	-
Net cash provided by (used for) operating activities	\$ <u>6,955,618</u>	\$ <u>28,907,599</u>	\$ <u>3,258,367</u>
Noncash investing, capital, and financing activities:			
Borrowing under capital lease	-	-	-
Increase in fair value of investments	171,739	411,884	41,092
Capitalized interest	-	-	-
Amortization of bond premium, discount and loss on refunding	1,631,655	175,779	4,432
Deferred charges established through issuance of debt	1,418,858	-	-
Loss on abandonment of capital assets	988	31,093	-
Acquisition and construction of capital assets on accounts payable	1,863,339	-	341,547

The notes to the financial statements are an integral part of this statement.

Business-Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
Transit	Airports	Convention Center	Stadium	Other Enterprise Funds	Total	
\$ (22,303,050)	\$ 346,778	\$ (5,306,746)	\$ 910,883	\$ 693,730	\$ (1,540,830)	\$ (5,618,565)
2,638,804	2,650,939	2,442,542	519,186	626,422	17,765,162	17,424,735
-	78,405	74,595	80,349	-	500,249	-
146,834	399,179	(95,059)	-	107,770	958,667	(955,187)
(2,228,074)	6,083,328	-	-	-	4,461,333	350,045
-	-	-	-	-	261,564	-
2,409,389	(601,146)	-	-	331,549	6,534,693	(4,108,441)
-	-	-	-	(723)	(86,713)	-
16,694	-	-	-	-	36,445	17,783
-	-	-	-	-	135,179	276,543
-	-	860,602	-	(8,388)	904,127	638,617
551,360	(2,227,856)	(136,459)	(2,387)	309,375	3,524,769	942,630
(1,042,583)	(2,244,718)	374,244	39,007	264,067	(2,662,646)	(60,885)
-	(250,688)	-	-	(27,760)	(278,448)	-
-	-	-	-	-	(712,588)	-
-	(765,777)	-	-	-	(1,896,307)	-
-	-	-	-	-	(86,141)	-
(29,425)	(159,725)	-	(636,906)	8,333	3,128,565	-
-	-	-	-	-	-	1,767,176
-	-	(255,203)	-	(83)	(7,183,888)	74,965
<u>\$ (19,840,051)</u>	<u>\$ 3,308,719</u>	<u>\$ (2,041,484)</u>	<u>\$ 910,132</u>	<u>\$ 2,304,292</u>	<u>\$ 23,763,192</u>	<u>\$ 10,749,416</u>
-	-	-	-	-	-	646,402
-	22,598	-	2,142	16,446	665,901	116,279
-	1,204,479	-	124,664	-	1,329,143	-
-	3,451	40,191	1,354,063	-	3,209,571	-
-	-	-	-	-	1,418,858	-
-	-	-	-	-	32,081	-
-	93,932	-	-	-	2,298,818	-

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST AND AGENCY FUNDS**

JUNE 30, 2003

	Pension Trust Funds	Agency Funds	Total Trust and Agency Funds
Assets			
Cash and Investments	\$ 2,021,844	\$ 11,092,191	\$ 13,114,035
Cash and Investments Held by Fiscal Agent	-	3,373,252	3,373,252
Total Cash and Investments	2,021,844	14,465,443	16,487,287
Receivables			
Interest Receivables	-	53,913	53,913
Accounts Receivable	17,237,292	-	17,237,292
Securities Lending	176,666,983	-	176,666,983
Due From Other Funds	-	13,587	13,587
Intergovernmental	-	175,573	175,573
Advances to Other Funds	-	1,743,500	1,743,500
Notes Receivable, Net	-	35,141	35,141
Total Receivables	193,904,275	2,021,714	195,925,989
Investments, at fair value:			
Short Term Investments	55,917,344	-	55,917,344
Domestic Equity	696,975,129	-	696,975,129
Domestic Fixed Income	400,937,770	-	400,937,770
International Equity	166,622,504	-	166,622,504
Emerging Market Equity	49,304,300	-	49,304,300
Mortgage	46,852,674	-	46,852,674
Real Estate Investment Trust	127,097,101	-	127,097,101
Total Investments	1,543,706,822	-	1,543,706,822
Total Assets	1,739,632,941	16,487,157	1,756,120,098
Liabilities			
Accrued Liabilities	37,141,776	588,835	37,730,611
Securities Lending	176,666,983	-	176,666,983
Unearned Revenue	24,252,669	-	24,252,669
Due to Other Funds	-	3,108	3,108
Prepayment of Special Assessments	-	154,511	154,511
Advances From Other Funds	-	1,699,777	1,699,777
Deposits Held for Others	-	14,040,926	14,040,926
Total Liabilities	238,061,428	16,487,157	254,548,585
Net Assets			
Held in Trust for Pension Benefits and Other Purpose	\$ 1,501,571,513	\$ -	\$ 1,501,571,513

The notes to the financial statements are an integral part of this statement.

CITY OF FRESNO, CALIFORNIA

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST FUNDS**

YEAR ENDED JUNE 30, 2003

	Total Pension Trust Funds
ADDITIONS	
Contributions	
Plan Members	\$ 8,563,314
Total Contributions	8,563,314
Investment Earnings:	
Interest	27,303,382
Dividends	17,873,505
Securities Lending	3,481,057
Other Investment Related	845,644
Net increase in the fair value of investments	14,995,057
Total Investment Earnings:	64,498,645
Less Investment Expense	8,305,479
Less Securities Lending Expense	2,788,644
Net Investment Earning	53,404,522
Total Additions	61,967,836
DEDUCTIONS	
Benefits	61,700,209
Refund of Contributions	1,361,170
Administrative	1,100,821
Total Deductions	64,162,200
Change in Net Assets	(2,194,364)
Net Assets - Beginning	1,503,765,877
Net Assets - Ending	\$ 1,501,571,513

The notes to the financial statements are an integral part of the statement.

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1. DEFINITION OF REPORTING ENTITY

The City of Fresno (City) is a political subdivision chartered by the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City operates under its Charter and is governed by a directly elected strong Mayor and a seven-member City Council. The City Manager serves as the head of the administrative branch of the City and is appointed by the Mayor.

As required by generally accepted accounting principles, these basic financial statements present the financial status of the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government.

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Although the following component units are legally separate from the City (the Primary Government), the component units have been "blended" into the City's combined financial statements for financial reporting purposes because they provide services entirely, or almost exclusively, for the benefit of the City even though they do not provide services directly to the City. The City is financially accountable for these units that are blended with the Primary Government because of their individual governance or financial relationships to the City.

All potential component units were evaluated, resulting in inclusion in the combined financial statements.

Redevelopment Agency of the City of Fresno: An independent public entity responsible for the development and implementation of housing and redevelopment programs and activities for the City of Fresno. The Redevelopment Agency of the City of Fresno (RDA) was created in 1956. The City Council serves as the governing board of the RDA and is responsible for its fiscal and administrative activities. The financial activity of the RDA is included in the City's financial statements as the RDA Debt Service and RDA Capital Projects. All lease obligations between the City and the RDA have been eliminated in the financial statements. Separate financial statements are prepared for the RDA and may be obtained from the Redevelopment Agency Office at 2344 Tulare Street, Suite 200, Fresno, CA 93721-3604.

Fresno Joint Powers Financing Authority: An independent public entity created in 1988. The Authority acquired telecommunications equipment, office furniture, and streetlights, and constructed street improvements through the issuance of limited obligation bonds, certificates of participation and revenue bonds. The Authority currently is leasing these assets to the City. The Authority's governing board consists of three board members appointed by the chief administrative officer and is responsible for its fiscal and administrative decisions. The financial activity for the telecommunications equipment is included in the Electronics and Communications Internal Service Fund. The financial activity for the street improvements is included in the Special Gas Tax Special Revenue Fund. The financial activity for the office furniture and street lights is included as part of a debt service fund entitled Financing Authorities and Corporations. All lease obligations between the Authority and the City have been eliminated in the financial statements.

City of Fresno Fire and Police Retirement System: The System was established on July 1, 1955, to provide benefits to the safety employees and retirees of the City of Fresno. The System is maintained and governed by Articles 17 and 17A of Chapter 2 of the Fresno Municipal Code. The System's responsibilities include: Administration of the trust fund, delivery of retirement and death benefits to eligible members, administration of programs, and general assistance in retirement and related benefits. The governing board is made up of two members appointed by the mayor, an elected police member, an elected fire member and a Board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Fire and Police Retirement System and may be obtained from the Retirement Office at City Hall, 2600 Fresno Street, Fresno, CA 93721-3604.

City of Fresno Employees Retirement System: The System was established on June 1, 1939, to provide benefits to the employees and retirees of the City of Fresno. The System is governed by Article 18 of Chapter 2 of the City of Fresno Municipal Code. The System's responsibilities include Administration of the trust fund, delivery of retirement, disability and death benefits to eligible members, administration of programs, and general assistance in retirement and related

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

benefits. The governing board is made up of two mayor appointed members; two elected members and one board appointed member. The activity for the System is reflected within Fiduciary Funds. Separate financial statements are prepared for the Employees Retirement System and may be obtained from the Retirement Office at City Hall, 2600 Fresno Street, Fresno, CA 93721-3604.

City of Fresno Health and Welfare Trust: City of Fresno employees not represented by the Stationary Engineers Local are covered by the Fresno City Employees Health and Welfare Trust which is a self-insured trust administered by an outside third party administrator. The activity for this trust is accounted for as an Internal Service Fund within the Risk Management Fund.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

(a) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. It's the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, licenses, and interest associated with the current fiscal period are all considered being

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Grants Fund account for grants received from federal, state, and other agencies, which are to be used for various purposes identified within the confines of the individual grant.

Redevelopment Agency Debt Service Fund is used to account for the debt service activity of those projects that have been earmarked for redevelopment. The projects are financed with property tax increments and bond proceeds.

The City reports the following major proprietary (enterprise) funds:

Water System Fund accounts for the construction, operation and maintenance of the City's water distribution system. Revenues are derived from water service fees and various installation charges.

Sewer System Fund accounts for the construction, operation and maintenance of the City's sewer system. Revenues are derived from sewer service fees and various installation charges.

Solid Waste Management Fund accounts for the operations of the City's solid waste disposal service. Revenues are primarily derived from solid waste service fees.

Transit Fund accounts for the operation and maintenance of the City's mass transportation service. Primary revenue sources are rider fares and Federal and State operating grants.

Airports Fund accounts for the City's two airport operations. Revenues are primarily derived from fees for airline operations out of the terminal.

Fresno Convention Center Fund accounts for the operation and maintenance of the City's convention center. Revenues are primarily derived from fees charged for using the facilities.

Stadium accounts for the construction, operation and maintenance of the City's baseball stadium. Revenues are derived from the leasing of the facilities and General Fund support.

Additionally, the City reports the following fund types:

Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

Debt Service Funds are used to account for the accumulation of resources for, and payment of, principal and interest on the City's bonded debt and other long-term obligations.

Proprietary Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. The *General Services Fund* accounts for the activities of the equipment maintenance services, centralized printing and mailing services, and centralized

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

telecommunications and information services. The *Risk Management Fund* accounts for the City's self-insurance, including provision for losses on property, liability, workers' compensation, unemployment compensation, and health and welfare programs. The *Billing and Collection Fund* accounts for the billing, collecting and servicing activities for the Water, Sewer, Solid Waste, and Community Sanitation funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The **Pension Trust Funds** account for the assets held on behalf of the City of Fresno Employees' Retirement System for pension benefit payments to qualified employees and retirees. There is one trust fund for Fire and Police and another for General Service employees.

Agency Funds account for assets held by the City in a custodial capacity on behalf of individuals or other governmental units. The *City Departmental and Special Purpose Fund* accounts for City-related trust activity, such as payroll withholding and bid deposits. The *Special Assessment Funds* account for the receipts and disbursements for the debt service activity of bonded assessment districts within the City.

Pension Trust Funds are accounted for in essentially the same manner as the proprietary funds. Agency Funds, being custodial in nature (assets equal liabilities), do not involve the measure of results of operations.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Budgetary Data

The City adopts annual budgets for all governmental funds on a Cash basis of accounting plus encumbrances.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City charter prohibits expending funds for which there is no legal appropriation.

Budget Control

The City operates under the strong-Mayor form of government. Under the strong-Mayor form of government, the Mayor serves as the City's Chief Executive Officer, appointing and overseeing the City Manager, recommending legislation, and presenting the annual budget to the City Council.

The budget of the City of Fresno, within the meaning and context of Section No. 1206 of the Charter must be adopted by resolution by the City Council:

- ✓ As provided by Section 1206 of the Charter, any adjustments in the amounts appropriated for the purposes indicated at the department/fund level shall be made only upon a motion to amend the resolution adopted by the affirmative votes of at least five Council members.

City of Fresno, California
Notes to the Basic Financial Statements
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- ✓ Administrative changes within the department/fund level may be made without approval of Council within written guidelines established by the Chief Administrative Officer.
- ✓ For accounting and auditing convenience, accounts may be established to receive transfers of appropriations from department appropriations for capital improvements in two or more different funds for the same capital project.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for certain capital project funds. The level of budgetary controls (the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by major expenditure category through an encumbrance system prior to the release of purchase orders to vendors. Purchase orders that result in an overrun of department-level balances by object are not released until additional appropriations are made available. Open encumbrances at June 30, are reported as reservations of fund balance in the Comprehensive Annual Financial Report (CAFR).

Fund Structure

The budget document is organized to reflect the fund structure of the City's finances. Fund revenues and expenditures are rolled up to the various object levels by division and department for presentation of information to the public. Budget adoption and subsequent administration is carried out on a fund basis.

Basis of Accounting

The City adopts an annual budget for the General Fund, Special Revenue Funds, and Capital Projects Funds (except Redevelopment Agency Capital Projects). These budgets are adopted on the cash basis. Supplemental appropriations during the year must be approved by the City Council. Budgeted amounts are reported as amended.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the Governmental Funds. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate cash planning and control. Encumbrances outstanding at year-end are reported as reservations of fund balances, as they do not constitute expenditures or liabilities.

Each of the funds in the City's budget has a separate cash balance position. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. The cash reserve position is a significant factor evaluated by bond rating agencies assessing the financial strength of an organization. Cash reserve amounts and trends, represent the continued ability of a City to meet its obligations and facilitate the requirements for a balanced budget.

Budget Development

The preparation of the budget document is the result of a Citywide effort. Each department is presented with an operating base budget that is used as the foundation for building their requests for the operations of their organizations. All one-time expenditure increases are removed, except for those demonstrable and mandatory.

A five-year capital budget is required from all departments. The purpose is to give the Mayor and Council a tool to plan for the future as well as to more realistically reflect the timing of many capital projects that take more than one year to complete.

Departments submit their requests to be analyzed and reviewed by the City's Budget and Management Studies Division (BMSD). Requests are evaluated based on individual operations, City funding resources and the goals and strategies identified by each organization related to the impact on performance measures. Recommendations are presented to the Mayor and City Manager in a review meeting comprised of management representatives from each department and BMSD. Upon final decisions of format and content, the Mayor's Proposed Budget Document is printed and presented to Council for deliberation and adoption. The Adopted Budget Document is prepared to include all the various changes approved by the Council.

City of Fresno, California
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For the Fiscal Year Ended June 30, 2003

BUDGET CALENDAR	
Base Budgets Developed	December/January
Base Budget Rollout to Departments	January 31
Department Budget Submissions	February 27
City Manager Review Meetings	March
Mayor's Proposed Budget Presented to Council, Departments, and Public	May
Council Public Hearings	May/June
Budget Adopted	No later than June 30

Revenue Estimation

Revenue estimates and the methodology for calculating the estimates vary depending on the source of revenue. Considerable weight is given to historical trends. This is important because of the uniqueness of the Central Valley and the composition of the Fresno economy, which differs from the state in general. As an example, the recession, which hit the state in the late 1980's, did not hit Fresno until the early 1990's and the recovery occurred in the rest of California before it hit the Central Valley.

In the General Fund, sales tax revenues are the single largest revenue source. Historical trends as well as paying close attention to the local economy are two of the primary keys for projecting this revenue. Historically sales tax has shown growth every year in the past twenty years except one, 1992. This stability, while reassuring, can lead to complacency.

The second largest revenue in the General Fund is property tax. The main source for projecting this revenue is information received from the county. Again as in all budget revenue projections internal staff relies heavily on historic trends as well as local developments.

The third major source of revenue is Motor Vehicle in Lieu fees (VLF). When combined with sales and property taxes, the three equal nearly 72% of the ongoing revenue.

Budget Administration

The budget establishes appropriation and expenditure levels. Expenditures may be below budgeted amounts at year-end, due to unanticipated savings in the budget development. The existence of a particular appropriation in the budget does not automatically mean funds are expended. Because of the time span between preparing the budget, subsequent adoption by the governing body, as well as rapidly changing economic factors, each expenditure is reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

(d) Implementation of New Accounting Principles

(i) Governmental Accounting Standards Board Statement No. 34

The City prepares its Comprehensive Annual Financial Report (CAFR) under the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement assists in making annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

City of Fresno, California
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For the Fiscal Year Ended June 30, 2003

The major features of the reporting model are as follows:

Management's Discussion and Analysis – GASB Statement No. 34 required that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (governmental and business-type activities). The City now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the City are broken down into three categories – (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and cost of providing services under the accrual basis of accounting in the statement of activities.

(ii) Governmental Accounting Standards Board Statement No. 37

The City prepares its CAFR according to the provisions of GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when it adopted the provisions of GASB Statement No. 34 as previously described.

(iii) Governmental Accounting Standards Board Statement No. 38

The City also adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements.

(iv) Governmental Accounting Standards Board Statement No. 41

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*. . This Statement amended GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, to clarify the budgetary presentation requirements for governments with significant budgetary perspective differences that result in their not being able to present budgetary comparison information for their general fund and major special revenue funds. These governments are required to present budgetary comparison schedules as required supplementary information (RSI) based on the fund, organization, or program structure that the government uses for its legally adopted budget. Accordingly, the City considered the effects of this Statement when it adopted the provisions of GASB No. 34 for the 2002 fiscal year.

City of Fresno, California
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For the Fiscal Year Ended June 30, 2003

(e) Pronouncements issued but not yet adopted

(i) Governmental Accounting Standards Board Statement No. 39

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amended GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The City will be required to implement this Statement for the fiscal year ending June 30, 2004. The City does not believe implementation of this Statement will materially impact the City's financial statements.

(ii) Governmental Accounting Standards Board Statement No. 40

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed. The City will be required to implement this Statement for the fiscal year ended June 30, 2005. Accordingly, the City will revise the cash and investments footnote disclosure to conform to the provisions of GASB Statement No. 40.

(iii) Governmental Accounting Standards Board Statement No. 42

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement requires governments to report the effects of capital asset impairment in the financial statements when the impairment occurs by evaluating major events affecting capital assets including physical damage, changes in legal or environmental factors, technological changes or obsolescence, changes in manner or duration and construction stoppage to determine whether the capital assets are impaired. Impairment will be measured using methods that are designed to isolate the cost of the capital asset's service capacity that has been rendered unusable by impairment. This Statement also enhances comparability of financial statements by requiring all governments to account for insurance recoveries in the same manner. The City will be required to implement this Statement for the fiscal year ended June 30, 2005. The City does not believe implementation of this Statement will materially impact the City's financial statements.

Financial Statement Elements

(f) Deposits and Investments

Investment in the Treasurer's Pool

The City Controller/Treasurer invests on behalf of most funds of the City in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the City Council, manages the Treasurer's Pool.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of Enterprise Funds. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City.

City of Fresno, California
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For the Fiscal Year Ended June 30, 2003

Investment Valuation

The City reports their investments at fair value in accordance with Governmental Accounting Standards Board Statement Number 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In addition, changes in fair value are reflected in the income of the period in which they occur.

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, money market funds and the State Treasurer's investment pool. The City's Pension Trust Fund is also authorized to invest in corporate bonds rated A or better by a national rating system generally recognized and used by banks and investment brokers in the United States.

Except as noted in the following paragraph, investments are comprised of obligations of the U.S. Treasury, agencies and instrumentalities, cash, time certificates of deposit, mutual funds, bankers' acceptances, money market accounts and deposits in the State of California Local Agency Investment Fund, and are stated at fair value.

Highly liquid money market investments and other investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Investment Income

Cash balances of each of the City's funds, except for certain Trust and Agency Funds and other restricted accounts, are pooled and invested by the City. Income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at the month end in relation to total pooled investments. The City's policy is to charge interest to those funds that have a negative average daily cash balance at month end. Deficit cash balances are reclassified as due to other funds and funded by Enterprise Funds or related operating funds.

(g) Loans Receivable

For the purposes of the Fund Financial Statements, Special Revenue Fund expenditures relating to long-term loans arising from loan subsidy programs are charged to operation upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans. In some instances amounts due from external participants are recorded with an offset to a deferred credit account. The balance of long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met. For purposes of the Government-wide Financial Statements, long-term loans are not offset by deferred credit accounts.

(h) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The City uses the purchases method of accounting for inventories in governmental fund types whereby inventory items are considered expenditures when purchased and are not reported in the statement of net assets.

(i) Redevelopment Agency Property Held for Resale

Property of the RDA is held for resale and is recorded as an asset at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. The RDA is a blended component of the City.

(j) Capital Assets

Capital assets, which include land, buildings and improvement, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the Government-wide Financial Statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 (for land, building improvements and infrastructure) or \$2,000 (for machinery and equipment) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-wide Financial Statements to the extent the

City of Fresno, California
Notes to the Basic Financial Statements
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City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital lease is included in depreciation and amortization. Buildings and improvements, infrastructure, and machinery and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated used lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 to 50
Infrastructure	15 to 30
Machinery and Equipment	3 to 5

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Capital Leases

Property, plant and equipment includes the following property held under lease obligation:

Fiscal Year Ended 2003		<u>Governmental Activities</u>	<u>Enterprise</u>	<u>Internal Service</u>
Machinery and Equipment	\$	7,997,579	\$ 1,144,554	\$ 15,970,888
Less: Accumulated Depreciation		(4,401,502)	(855,983)	(11,306,635)
Net Machinery and Equipment	\$	<u>3,596,077</u>	<u>288,571</u>	<u>4,664,253</u>

(k) Bond Issuance Costs and Discounts

In the Government-wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

(l) Refunding of Debt

Gains or losses occurring from advance refundings are deferred and amortized into expense.

(m) Deferred Revenues

Deferred revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them (i.e., the City bills certain fixed rate services in advance; amounts billed but not yet earned are deferred and amortized over the service period). Uncollected property tax is recorded as deferred revenue.

(n) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- (1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.
- (2) Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

City of Fresno, California
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(o) Fund Equity

Reservations of Fund Equity

Reservations of fund balances of the governmental funds represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third parties. Designations of fund balances represent tentative management plans that are subject to change. The following is a brief description of the nature of certain reserves.

Reserve for assets not available for appropriation – Certain assets, primarily cash and investments outside City Treasury and deferred charges, do not represent expendable available financial resources. Therefore, a portion of fund equity is reserved to offset the balance of these assets.

Reserve for debt service – The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent year.

Reserves for encumbrances – Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain special revenue and capital projects funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.

Restricted Assets

Certain proceeds of the City's enterprise fund sewer bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheets because they are maintained in separate bank accounts or tracked separately in the City Treasury group of accounts. Use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds and amounts restricted for future capital projects.

Designations of Fund Equity

Designations of fund balances indicate the portion of fund equity that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designations as of June 30, 2003.

Designated for economic uncertainties funds in the amount of \$10 million were set aside and designated for purposes of meeting unforeseen budgetary requirements of the City as defined by the Controller, City Manager, and Mayor with approval by a vote of the City Council in 2002. As of June 30, 2003, the balance in this fund was approximately \$10.2 million. Council has earmarked \$1.5 million for specific economic development opportunities in the up coming fiscal year.

(p) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(q) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

(r) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(s) Reclassifications

Certain accounts presented in the 2002 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The changes in classification have no impact on the reported change in net assets.

Note 3. CASH AND INVESTMENTS

The City's cash and investments are invested pursuant to investment policy guidelines established by the City Controller/Treasurer subject to review by the City Council. The objectives of the investment policy are preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

The City maintains a cash and investment pool available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In addition, certain funds have investments with trustees related to debt issues.

(a) Cash/Deposits

At year-end, the City's bank balance was \$16,057,416. In the prior year this same balance was \$9,722,287. The recorded balance reflected in the June 30, 2003, financial statements was \$10,114,338 as compared to \$4,568,606 in 2002. As of June 30, 2003, and 2002, deposits were not entirely insured or collateralized with securities held by the City or the City's agent in the City's name.

(b) Cash and Investments

The following is a summary of cash and investments at June 30, 2003:

	Government-wide Statement of Net Assets			Fiduciary Funds Statements of Net Assets	Totals
	Governmental Activities	Business- Type Activities	Subtotal		
Cash and Investments	\$ 35,125,775	\$ 101,370,108	\$ 136,495,883	\$ 16,487,287	\$ 152,983,170
Conversion Activity	<u>7,136,026</u>	<u>(7,136,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Investments Restated	<u>42,261,801</u>	<u>94,234,082</u>	<u>136,495,883</u>	<u>16,487,287</u>	<u>152,983,170</u>
Restricted Cash and Investments	11,176,429	201,123,757	212,300,186	-	212,300,186
Pension Trust Investments at fair value	-	-	-	1,543,706,822	1,543,706,822
Securities Lending	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,666,983</u>	<u>176,666,983</u>
Total	\$ 53,438,230	\$ 295,357,839	\$ 348,796,069	\$ 1,736,861,092	\$ 2,085,657,161

City of Fresno, California
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The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by Federal depository insurance by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the City's deposits or 150% of mortgage-backed collateral. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the City's name.

The City had no uncollateralized cash at June 30, 2003.

(c) Investments/Policies

California statutes and the City's investment policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, negotiable certificates of deposit, repurchase agreements and the State Treasurer's investment fund. The City is also authorized to enter into reverse repurchase agreements, but did not enter into any reverse repurchase agreements transactions during fiscal year 2003.

The Pension Trust Funds investment activity is governed by the prudent person standard and the Fresno Municipal Code. This policy authorizes investments in corporate bonds, corporate stocks, real estate limited partnership investment funds, international equities, and securities lending.

The City's investments, as categorized below, give an indication of the level of risk assumed by the entity at year-end:

- Category 1: Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Of the total bank balance, \$400,000 was in Category 1. The remaining funds of \$15,657,416 are included in Category 2.

(d) Derivatives

The City's Retirement Boards administer the Pension Trusts, which are reported as trust funds in the Fiduciary Fund type. They have contracted with outside investment management firms for the management of their investment portfolio. Investment managers, as part of their portfolio management strategy, may enter into a variety of derivative financial instruments for purposes of modifying the portfolio's market risk profile or for yield enhancement purposes. The Retirement Boards have authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's account. The Retirement Boards monitor and review each investment manager's securities and derivative position as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall portfolio performance and it is not meaningful to evaluate such instruments in isolation.

Derivative financial instruments in the Pension Trust consist of the following:

- Cash securities containing derivative features, including callable or puttable bonds, structural notes and collateralized mortgage obligations (CMOs). These instruments are generally traded in over-the-counter (OTC) bond markets.
- Financial instruments whose value is dependent upon a contractual price or rate relative to one or more reference prices or rates, applied to a notional amount, including interest rate futures, options, swaps and caps; and foreign currency futures and forward contracts. Some of these instruments are exchange-traded and others are traded OTC.

Market risk:

Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk

City of Fresno, California
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than other types of fixed income securities, because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates. Thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contracts.

Credit risk:

Credit risk of cash securities containing derivative features, as explained, is based upon the credit worthiness of the issuers of such securities. The City establishes minimum credit requirements for such securities. The other derivative instruments described above are subject to credit risk to the extent their value is a positive market value, and the counterparty to such contract fails to perform under the terms of the instrument. Exchange traded derivatives are generally considered to be of lower credit risk than OTC derivatives due to the exchanges' margin requirements.

(e) City Sponsored Investment Pool

As part of the City's total cash and investment portfolio, the Treasury Officer manages an investment pool that includes only internal investors. The pool is not registered with the Securities and Exchange Commission as an investment company. The Treasury Officer is granted authority for managing the pool by Fresno Municipal Code Section 4-104. The Treasury Officer reports investment activity monthly to the City Council and annually an investment policy is submitted to the Council for review and approval.

The fair value of investments is determined monthly. Participants' shares are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day-to-day operations but is adjusted to the fair value at year-end. The investments are reported at fair value. The value of the shares is supported by the value of the underlying investments.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

A summary of the investment classifications as of June 30, 2003, is as follows:

	<u>Fair Value</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
Corporate Notes	\$ 4,241,945	\$ 4,235,000	5.65%	7/03
Federal Agency Notes	149,034,295	148,150,000	2.01 – 4.38%	10/03 – 9/05
U.S. Treasury Bill	34,967,865	35,000,000	0.83%	7/03 – 8/03
Corporate Medium Term Notes	6,505,987	6,503,872	1.04%	4/03
State of California Treasurer's				
Local Agency Investment Fund	40,113,851	40,000,000	1.77%	N/A
Money Market Mutual Funds	47,297,778	47,297,778	1.02%	N/A
	<u>\$ 282,161,721</u>	<u>\$ 281,186,650</u>		

A summary of cash and investments by such categories at June 30, 2003, is as follows:

	<u>CATEGORY</u>			<u>Non-Categorized</u>	<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
City Deposits:						
Cash	\$ 400,000	\$ 15,657,416	\$ -	\$ -	\$ 16,057,416	\$ 16,057,416
Total City Deposits	<u>400,000</u>	<u>15,657,416</u>	<u>-</u>	<u>-</u>	<u>16,057,416</u>	<u>16,057,416</u>
City Investments:						
U.S. Treasury Securities	34,967,865	-	-	-	34,967,865	34,967,865
U.S. Government						
Sponsored Corporations	149,034,295	-	-	-	149,034,295	149,034,295
Corporate Notes and Bonds	4,241,945	-	-	-	4,241,945	4,241,945
Time Deposits	6,505,987				6,505,987	6,505,987
Mutual Funds	-	-	-	47,297,778	47,297,778	47,297,778
California LAIF	-	-	-	40,113,851	40,113,851	40,113,851
Total City Investments	<u>194,750,092</u>	<u>-</u>	<u>-</u>	<u>87,411,629</u>	<u>282,161,721</u>	<u>282,161,721</u>
Trust and Fiscal Agents:						
U.S. Government and Agency						
Securities	92,982,142	-	-	-	92,982,142	92,982,142
Corporate Notes and Bonds	287,004,880	-	-	-	287,004,880	287,004,880
Equities	946,929,055	-	-	-	946,929,055	946,929,055
Repurchase Agreements	904,558	-	-	-	904,558	904,558
Real Estate Investment Trust	-	-	-	127,097,101	127,097,101	127,097,101
Collateralized Mortgage						
Obligations	46,852,673	-	-	-	46,852,673	46,852,673
Guaranteed Investment						
Contracts	-	-	-	21,215,927	21,215,927	21,215,927
Mutual Funds	-	-	-	78,458,039	78,458,039	78,458,039
California LAIF	-	-	-	15,269,744	15,269,744	15,269,744
Securities Lending	-	-	-	176,666,983	176,666,983	176,666,983
Total With Trust and Fiscal Agents	<u>1,374,673,308</u>	<u>-</u>	<u>-</u>	<u>418,707,794</u>	<u>1,793,381,102</u>	<u>1,793,381,102</u>
Total Cash, Deposits and Investments	<u>\$ 1,569,823,400</u>	<u>\$ 15,657,416</u>	<u>\$ -</u>	<u>\$ 506,119,423</u>	<u>2,091,600,239</u>	<u>\$ 2,091,600,239</u>

Cat. 1: Investments that are insured or registered, or securities held by City or its agent in the City's name.

Cat. 2: Uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in the City's name.

Cat. 3: Uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent, but not in the City's name.

Outstanding Checks

(6,861,582)

Deposits in Transit

918,504

\$ 2,085,657,161

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Stewardship, Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions.

(f) Restricted Assets

Restricted assets by fund type are as follows at June 30, 2003:

	<u>Cash and Investments</u>	<u>Grants and Interest Receivable</u>	<u>Totals</u>
Special Revenue:			
Special Gas Tax	\$ 981,340	\$ -	\$ 981,340
Grants	<u>3,975,841</u>	<u>-</u>	<u>3,975,841</u>
Subtotal	<u>4,957,181</u>	<u>-</u>	<u>4,957,181</u>
Debt Service:			
Redevelopment Agency	1,833,255	-	1,833,255
Financing Authorities and Corporations	4,289,208	-	4,289,208
City Debt	<u>96,785</u>	<u>-</u>	<u>96,785</u>
Subtotal	<u>6,219,248</u>	<u>-</u>	<u>6,219,248</u>
Enterprise:			
Transit	1,982,903	-	1,982,903
Water	39,342,725	373,272	39,715,997
Sewer	127,735,594	805,331	128,540,925
Solid Waste	11,497,315	-	11,497,315
Airports	8,618,734	1,517,957	10,136,691
Convention Center	5,493,856	-	5,493,856
Parking	1,220,264	-	1,220,264
Stadium	<u>2,762,967</u>	<u>-</u>	<u>2,762,967</u>
Subtotal	<u>198,654,358</u>	<u>2,696,560</u>	<u>201,350,918</u>
Internal Service:			
General Services	-	-	-
Billing and Collection	<u>2,469,399</u>	<u>-</u>	<u>2,469,399</u>
	<u>2,469,399</u>	<u>-</u>	<u>2,469,399</u>
Totals (memorandum only)	\$ <u>212,300,186</u>	\$ <u>2,696,560</u>	\$ <u>214,996,746</u>

Restricted cash includes funds held by trustees relating to bonds payable and those amounts held by each fund for which a specific, nonoperating use has been determined. Grants receivable represent amounts due from a granting agency for which the specific, nonoperating use has been determined.

Note 4. PROPERTY TAXES

Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

All property taxes are collected and allocated by the County of Fresno to the various taxing entities. Property taxes are determined annually as of January 1 and attached as enforceable liens on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Secured property taxes become a lien on the property on March 1. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. Property tax revenues are recognized in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

Note 5. RECEIVABLES

Receivables as of June 30, 2003, were as follows:

	Taxes	Accounts	Loans	Inter-Governmental	Other	Interest	Total
Governmental Activities:							
General Fund	\$ 3,978,433	\$ 1,076,404	\$ -	\$ 11,303,493	\$ 695,686	\$ 227,858	\$ 17,281,874
Grants Fund	-	-	23,924,769	3,980,160	-	-	27,904,929
Redevelopment Agency	-	-	602,834	-	-	-	602,834
Debt Service	-	-	-	-	-	-	-
Other Governmental Funds	-	643	5,456,722	8,762,579	522,647	198,280	14,940,871
Internal Service Funds	-	-	-	-	1,207,720	82,799	1,290,519
Conversion Activity	-	3,108	988,400	1,797,821	-	-	2,789,329
Total	\$ 3,978,433	\$ 1,080,155	\$ 30,972,725	\$ 25,844,053	\$ 2,426,053	\$ 508,937	\$ 64,810,356
Accounts Not Scheduled for Collection During the Subsequent Year	\$ -	\$ -	\$ 25,507,424	\$ -	\$ -	\$ -	\$ 25,507,424
Business-Type Activities:							
Water Fund	-	7,997,197	-	-	1,825,058	80,346	9,902,601
Sewer Fund	-	6,229,040	-	866,620	25,682,233	362,781	33,140,674
Solid Waster Fund	-	4,837,384	-	-	5,358,123	100,187	10,295,694
Other Enterprise Funds	-	1,757,724	-	8,101,282	-	90,224	9,949,230
Internal Service Funds	-	16,264	-	-	-	313,396	329,660
Conversion	-	-	-	-	991,460	-	991,460
Total	\$ -	\$ 20,837,609	\$ -	\$ 8,967,902	\$ 33,856,874	\$ 946,934	\$ 64,609,319

Receivables are presented on the statement of net assets as follows:

	Governmental Activities:	Business-Type Activities:	Total
Receivables, Net	\$ 33,837,631	\$ 30,752,445	\$ 64,590,076
Loans, Notes, Leases	<u>30,972,725</u>	<u>33,856,874</u>	<u>64,829,599</u>
Total	\$ <u>64,810,356</u>	\$ <u>64,609,319</u>	\$ <u>129,419,675</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 6. PROPERTY, PLANT AND EQUIPMENT – CAPITAL ASSETS

The following is a summary of capital assets as of June 30, 2003:

	Governmental Activities	Business-Type Activities	Total
Capital Assets Not Being Depreciated:			
Land	\$ 183,393,431	\$ 19,964,712	\$ 203,358,143
Construction in Progress	<u>93,515,626</u>	<u>459,305,223</u>	<u>552,820,849</u>
Subtotal	<u>276,909,057</u>	<u>479,269,935</u>	<u>756,178,992</u>
Other Capital Assets:			
Buildings and Improvements	89,954,177	570,978,300	660,932,477
Machinery and Equipment	16,740,843	136,841,981	153,582,824
Infrastructure:			
Roadways and Bridges	654,688,685	-	654,688,685
Traffic Signals	62,445,000	-	62,445,000
Streetlights	115,671,511	-	115,671,511
Park Improvements	20,573,326	-	20,573,326
Water Systems	<u>-</u>	<u>1,259,635</u>	<u>1,259,635</u>
Subtotal	<u>960,073,542</u>	<u>709,079,916</u>	<u>1,669,153,458</u>
Total Cost	<u>1,236,982,599</u>	<u>1,188,349,851</u>	<u>2,425,332,450</u>
Less: Accumulated Depreciation for:			
Buildings and Improvements	(38,282,315)	(264,641,437)	(302,923,752)
Machinery and Equipment	(11,495,190)	(89,840,682)	(101,335,872)
Infrastructure:			
Roadways and Bridges	(353,233,795)	-	(353,233,795)
Traffic Signals	(50,733,501)	-	(50,733,501)
Streetlights	(46,632,414)	-	(46,632,414)
Park Improvements	<u>(15,642,863)</u>	<u>-</u>	<u>(15,642,863)</u>
Subtotal	<u>(516,020,078)</u>	<u>(354,482,119)</u>	<u>(870,502,197)</u>
Total Capital Assets, Net	<u>720,962,521</u>	<u>833,867,732</u>	<u>\$ 1,554,830,253</u>
Reclassification of Internal Service Fund Assets	<u>75</u>	<u>(75)</u>	
Total	<u>\$ 720,962,596</u>	<u>\$ 833,867,657</u>	

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Governmental

Capital asset activity related to governmental activities for the year ended June 30, 2003, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 183,393,431	\$ -	\$ -	\$ 183,393,431
Construction in Progress	64,289,855	31,198,001	(1,972,230)	93,515,626
Total	247,683,286	31,198,001	(1,972,230)	276,909,057
Other Capital Assets				
Buildings and Improvements	89,954,239	-	(62)	89,954,177
Machinery and Equipment	13,590,722	3,150,121	-	16,740,843
Infrastructure:				
Roadways and Bridges	649,158,331	5,530,354	-	654,688,685
Traffic Signals	62,445,000	-	-	62,445,000
Streetlights	110,524,561	5,146,950	-	115,671,511
Park Improvements	20,573,326	-	-	20,573,326
Total	946,246,179	13,827,425	(62)	960,073,542
Total Cost	1,193,929,465	45,025,426	(1,972,292)	1,236,982,599
Less: Accumulated Depreciation For				
Buildings and Improvements	(36,278,877)	(2,003,438)	-	(38,282,315)
Machinery and Equipment	(10,338,358)	(1,156,832)	-	(11,495,190)
Infrastructure:				
Roadways and Bridges	(331,627,877)	(21,605,918)	-	(353,233,795)
Traffic Signals	(48,993,167)	(1,740,334)	-	(50,733,501)
Streetlights	(42,335,104)	(4,297,310)	-	(46,632,414)
Park Improvements	(15,107,071)	(535,792)	-	(15,642,863)
Total	(484,680,454)	(31,339,624)	-	(516,020,078)
Total Capital Assets, Net	\$ 709,249,011	\$ 13,685,802	\$ (1,972,292)	\$ 720,962,521
Depreciation Was Charged To Functions As Follows:				
General Government	\$	729,540		
Police		392,236		
Fire		812,452		
Public Works		28,176,593		
Parks		1,089,803		
RDA		139,000		
Total Governmental Activities Depreciation Expense	\$	31,339,624		

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Business-Type Activities

Capital asset activity related to business-type activities for the year ended June 30, 2003, was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 20,196,612	\$ -	\$ (231,900)	\$ 19,964,712
Construction in Progress	<u>502,893,375</u>	<u>57,143,075</u>	<u>(100,731,227)</u>	<u>459,305,223</u>
Total	<u>523,089,987</u>	<u>57,143,075</u>	<u>(100,963,127)</u>	<u>479,269,935</u>
Other Capital Assets:				
Buildings and Improvements	471,755,286	101,046,480	(1,823,466)	570,978,300
Machinery and Equipment	134,299,575	7,025,133	(4,482,727)	136,841,981
Infrastructure:				
Water Systems	<u>-</u>	<u>1,259,635</u>	<u>-</u>	<u>1,259,635</u>
Total	<u>606,054,861</u>	<u>109,331,248</u>	<u>(6,306,193)</u>	<u>709,079,916</u>
Total Cost	<u>1,129,144,848</u>	<u>166,474,323</u>	<u>(107,269,320)</u>	<u>1,188,349,851</u>
Less: Accumulated Depreciation For:				
Buildings and Improvements	(250,489,596)	(15,953,462)	1,801,621	(264,641,437)
Machinery and Equipment	<u>(75,041,157)</u>	<u>(19,236,435)</u>	<u>4,436,910</u>	<u>(89,840,682)</u>
Total	<u>(325,530,753)</u>	<u>(35,189,897)</u>	<u>6,238,531</u>	<u>(354,482,119)</u>
Total Capital Assets, Net	<u>\$ 803,614,095</u>	<u>\$ 131,284,426</u>	<u>\$ (101,030,789)</u>	<u>\$ 833,867,732</u>

Depreciation Was Charged To Functions As Follows:

Water	\$ 3,680,015
Sewer	3,227,484
Solid Waste	1,979,770
Community Sanitation	3,611
Airports	2,650,939
Convention Center	2,442,542
Transit	2,638,804
Parking	252,754
Parks and Recreation	363,338
Development	6,719
Stadium	519,186
General Services	17,374,144
Risk Management	559
Billing and Collection	<u>50,032</u>
Total Business - Type Activities Depreciation Expense	<u>\$ 35,189,897</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Certain reclassifications between account categories have been made to the beginning accumulated depreciation balances for Business-Type Activities at June 30, 2002. These reclassifications, totaling \$24,242,850 have been made to buildings and improvements and machinery and equipment in order to properly reflect accumulated depreciation charges that correspond to each of the respective asset cost categories.

At June 30, 2003, construction in Progress consisted of the following:

Project Title	Construction Costs To Date
Governmental:	
Bike Lanes	\$ 2,545,926
Neighborhood Improvements	1,613,714
Railroad Related Projects	1,914,812
General Street Projects	26,552,965
Streetlight Projects	2,007,503
Traffic Signal Projects	25,711,399
Shaw/Marks Grade Separation	15,912,447
Downtown Parking Facilities	6,005,787
Regional Park Improvements	9,753,674
Other Miscellaneous Projects	1,497,399
Total Governmental	\$ 93,515,626

Project Title	Construction Costs To Date
Proprietary:	
Surface Water Treatment Facility	20,075,869
Water Well Constructions	78,928,121
Sewer Main Rehab	18,244,553
Major Sewer Improvements	322,886,933
Regional Park/Sports Complex	6,371,036
Solid Waste Processing Facility	1,589,466
Air Cargo Project	1,093,335
Airport Building Improvements	5,283,416
Golf Course Improvements	1,176,219
Other Miscellaneous Projects	3,656,275
Total Proprietary	\$ 459,305,223
Total Construction in Progress	\$ 552,820,849

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities. Balances are reported as of June 30, 2003, for the City:

SUMMARY OF LONG-TERM LIABILITIES

	Governmental Activities	Business-Type Activities	Total Government
Long-term Debt			
Revenue and Other Bonds	\$ 253,885,000	\$ 423,394,535	\$ 677,279,535
Tax Allocation Bonds	14,280,000	-	14,280,000
Certificates of Participation	6,500,000	15,070,000	21,570,000
Less: Deferred Charges	163,968	(5,794,905)	(5,630,937)
Notes Payable	6,764,679	2,704,157	9,468,836
Capital Lease Obligations	<u>8,463,013</u>	<u>5,266,940</u>	<u>13,729,953</u>
Total	<u>290,056,660</u>	<u>440,640,727</u>	<u>730,697,387</u>
Other Long-term Liabilities			
Advances from Agency Funds	-	1,743,500	1,743,500
Compensated Absences	10,781,320	7,379,934	18,161,254
Liabilities for Self Insurance	-	53,296,532	53,296,532
Accrued Closure Cost	<u>-</u>	<u>9,754,385</u>	<u>9,754,385</u>
Total	<u>10,781,320</u>	<u>72,174,351</u>	<u>82,955,671</u>
Total Long-Term Liabilities	<u>300,837,980</u>	<u>512,815,078</u>	<u>813,653,058</u>
Conversion of Internal Service Activity Liability for Self-Insurance	<u>53,337,420</u>	<u>(53,337,420)</u>	<u>-</u>
Total Long-Term Liabilities Government-Wide Statement	<u>\$ 354,175,400</u>	<u>\$ 459,477,658</u>	<u>\$ 813,653,058</u>
Due Within One Year	11,987,132	33,501,036	45,488,168
Conversion of Internal Service Activity Liability for Self-Insurance	<u>16,831,549</u>	<u>(16,831,549)</u>	<u>-</u>
Due Within One Year	28,818,681	16,669,487	45,488,168
Due Within More Than One Year	<u>325,356,719</u>	<u>442,808,171</u>	<u>768,164,890</u>
Total Long-Term Liabilities Government-Wide Statement	<u>\$ 354,175,400</u>	<u>\$ 459,477,658</u>	<u>\$ 813,653,058</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Activity of Long Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Revenue and Other Bonds:					
Lease Revenue Refunding Bonds 2000, City Hall Refinancing Project	\$ 40,005,000	-	\$ 1,480,000	\$ 38,525,000	\$ 1,540,000
Lease Revenue Refunding Bonds 2002 A, Street Light Acquisition Project	7,895,000	-	430,000	7,465,000	460,000
Judgment Obligations 1994	910,000	-	315,000	595,000	290,000
Judgment Obligation Refunding Bonds 2002	5,370,000	-	-	5,370,000	-
Taxable Pension Obligation Bonds 2002 A	205,335,000	-	3,405,000	201,930,000	3,510,000
Total Revenue and Other Bonds	<u>259,515,000</u>	<u>-</u>	<u>5,630,000</u>	<u>253,885,000</u>	<u>5,800,000</u>
Tax Allocation Bonds:					
2001 Redevelopment Agency Merger 1	9,885,000	-	300,000	9,585,000	315,000
Series A 1993, Mariposa Project	4,805,000	-	110,000	4,695,000	115,000
Total Tax Allocation Bonds	<u>14,690,000</u>	<u>-</u>	<u>410,000</u>	<u>14,280,000</u>	<u>430,000</u>
Certificates of Participation:					
1991 Street Improvement Project	7,020,000	-	520,000	6,500,000	555,000
Total Certificates of Participation	<u>7,020,000</u>	<u>-</u>	<u>520,000</u>	<u>6,500,000</u>	<u>555,000</u>
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	209,788	-	17,041	192,747	-
On Refunding	(64,353)	-	(35,574)	(28,779)	-
Total Deferred Amounts	<u>145,435</u>	<u>-</u>	<u>(18,533)</u>	<u>163,968</u>	<u>-</u>
Notes Payable:					
REDIP (State of CA)	76,351	-	76,351	-	-
HUD Sec 108 Note Pacific Towers 1996-A	1,550,000	-	345,000	1,205,000	375,000
HUD Sec 108 Note Reg. Med Center 1997-A	2,690,000	-	95,000	2,595,000	100,000
HUD Sec 108 Note FMAAA	1,420,000	-	45,000	1,375,000	50,000
HUD Sec 108 Note Neighborhood Streets/Parks	-	1,500,000	-	1,500,000	37,000
RDA Ann Alchian Family Trust	116,350	-	26,671	89,679	28,271
Total Notes Payable	<u>5,852,701</u>	<u>1,500,000</u>	<u>588,022</u>	<u>6,764,679</u>	<u>590,271</u>
Capital Leases	<u>6,934,176</u>	<u>2,885,344</u>	<u>1,356,507</u>	<u>8,463,013</u>	<u>1,263,452</u>
Governmental Activity Long-term Liabilities Subtotal	<u>294,157,312</u>	<u>4,385,344</u>	<u>8,485,996</u>	<u>290,056,660</u>	<u>8,638,723</u>
Other Liabilities:					
Compensated Absences	10,337,190	3,723,652	3,279,522	10,781,320	3,348,409
Governmental Long-term Liabilities Total	<u>\$ 304,494,502</u>	<u>\$ 8,108,996</u>	<u>\$ 11,765,518</u>	<u>\$ 300,837,980</u>	<u>\$ 11,987,132</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Bonds Payable (Revenue and Other Bonds):					
Water System Revenue Bonds 1995 A	\$ 1,445,000	\$ -	\$ 695,000	\$ 750,000	\$ 750,000
Water System Revenue Refunding Bonds 1993 A	16,535,000	-	16,535,000	-	-
Water System Revenue Refunding Bonds 1998 A	31,815,000	-	-	31,815,000	-
Water System Revenue Refunding Bonds 2003	-	16,155,000	275,000	15,880,000	705,000
Sewer System Revenue Bonds 1991 A	6,105,000	-	6,085,000	20,000	5,000
Sewer System Revenue Bonds 1993 A	121,815,000	-	4,375,000	117,440,000	4,565,000
Sewer System Revenue Bonds 1995 A	49,435,000	-	1,725,000	47,710,000	1,810,000
Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds 2000A	74,000,000	-	-	74,000,000	-
Solid Waste Management Enterprise Revenue Bonds 2000 A	16,820,000	-	965,000	15,855,000	1,010,000
Lease Revenue Bonds 1998, Exhibit Hall Expansion Project	32,129,535	-	500,000	31,629,535	515,000
Airport Revenue Bonds 2000	43,045,000	-	600,000	42,445,000	630,000
Lease Revenue Bonds 2001 A and B, Stadium	45,850,000	-	-	45,850,000	720,000
Total Bonds Payable	<u>438,994,535</u>	<u>16,155,000</u>	<u>31,755,000</u>	<u>423,394,535</u>	<u>10,710,000</u>
Certificates of Participation:					
1996 Conference Center Refinancing Project	8,740,000	-	620,000	8,120,000	650,000
1994 Arena/Municipal Service Center Project	8,440,000	-	1,490,000	6,950,000	995,000
Total Certificates of Participation	<u>17,180,000</u>	<u>-</u>	<u>2,110,000</u>	<u>15,070,000</u>	<u>1,645,000</u>
Less Deferred Amounts:					
For Issuance (Discounts)/Premiums	(4,647,733)	764,201	(1,703,816)	(2,179,716)	-
On Refunding	<u>(2,937,885)</u>	<u>(2,183,059)</u>	<u>(1,505,755)</u>	<u>(3,615,189)</u>	<u>-</u>
Total Deferred Amounts	<u>(7,585,618)</u>	<u>(1,418,858)</u>	<u>(3,209,571)</u>	<u>(5,794,905)</u>	<u>-</u>
Notes Payable:					
California Energy Commission	-	276,915	77,631	199,284	77,930
Agricultural Drainage Water Management Loan	1,331,853	-	103,880	1,227,973	107,101
Ground Water Recharge Construction Loan	1,355,660	-	78,760	1,276,900	81,127
Total Notes Payable	<u>2,687,513</u>	<u>276,915</u>	<u>260,271</u>	<u>2,704,157</u>	<u>266,158</u>
Capital Leases	<u>7,808,709</u>	<u>646,402</u>	<u>3,188,171</u>	<u>5,266,940</u>	<u>3,082,459</u>
Subtotal, Long-term Liabilities	<u>459,085,139</u>	<u>15,659,459</u>	<u>34,103,871</u>	<u>440,640,727</u>	<u>15,703,617</u>
Other Long-term Liabilities:					
Advances from Agency fund	1,743,500	-	-	1,743,500	-
Compensated Absences	6,592,928	1,744,629	957,623	7,379,934	989,718
Liability for Self Insurance-Risk Management	51,529,356	31,462,373	29,695,197	53,296,532	16,807,701
Accrued Closure Cost	9,840,526	855,600	941,741	9,754,385	-
Business-type Long-term Liabilities Total	<u>528,791,449</u>	<u>49,722,061</u>	<u>65,698,432</u>	<u>512,815,078</u>	<u>33,501,036</u>
Total Government Long-term Liabilities Grand Total					
	<u>\$ 833,285,951</u>	<u>\$ 57,831,057</u>	<u>\$ 77,463,950</u>	<u>\$ 813,653,058</u>	<u>\$ 45,488,168</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The following is a description of long-term liabilities at June 30, 2003:

(a) Revenue And Other Bonds

	<u>Year Ended June 30, 2003</u>
1. <u>Governmental Activities</u>	
a. Fresno Joint Powers Financing Authority: 2002 Series A (Street Light Acquisition Project)	\$ 7,616,382
2002 Series A Street Light Acquisition Project bonds issued May 1, 2002, interest is at 2.0% to 5.0% on bonds outstanding. Annual principal installments ranging from \$460,000 to \$735,000 through October 1, 2015. <i>Repayment of the bonds is funded from revenues of the Financing Authorities and Corporations' Debt Service Fund.</i> The principal amount due is reported net of deferred charge of (\$151,382).	
b. Fresno Joint Powers Financing Authority: Refunding Lease Revenue Bonds, Series 2000	38,462,754
2000 Lease Revenue Bonds, issued Nov 1, 2000. Interest is at 3.75% to 5.25% on bonds outstanding. Principal due in annual installments of \$1,540,000 to \$3,275,000 through August 1, 2019; interest due semiannually. <i>Repayment of the bonds is financed from Lease Revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred charge of \$62,246.</i>	
c. Taxable Pension Obligation Bonds Refunding Series 2002	201,930,000
2002 Pension Obligation Bonds issued February 21, 2002; interest is at 3.00% to 6.55% on bonds outstanding. Annual principal installments of \$3,510,000 to \$15,195,000 through June 21, 2029. <i>Repayment of the bonds is funded from various funds.</i>	
d. City of Fresno Judgment Obligation Bonds, Series 1994	594,084
1994 Judgment Obligation Bonds issued June 1, 1994; interest is at 3.75% to 6.0%. Principal due in annual installments of \$290,000 to \$305,000 through August 15, 2004; interest due semiannually. <i>Repayment of the bonds is funded from the General Fund. The principal amount due is reported net of a deferred charge of \$916.</i>	
e. City of Fresno Judgment Obligation Bonds, Series 2002	5,292,786
2002 Judgment Obligation Bonds issued May 23, 2002; interest is at 2.71% to 4.71%. Principal due in annual installments of \$330,000 to \$525,500 through August 15, 2017; interest due semiannually. <i>Repayment of the bonds is funded from the General Fund. The principal amount due is reported net of a deferred charge of \$77,214.</i>	
2. <u>Business-type Activities</u>	
a. Water: Water System Revenue Bonds 1995 Project II	748,132
1995 Water System Revenue Bonds; interest rates range from 5.25% to 7.5% on bonds outstanding. Principal due in final payment of \$750,000 in June 2004; interest due semiannually. <i>Repayment of the bonds is funded from Water Fund revenues. Principal amount due is reported net of a deferred charge of \$1,868.</i>	

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

**Year Ended
June 30, 2003**

- b. Water: Water System Revenue Refunding Bonds 1998 Series A 29,925,612
- 1998 Water System Revenue Refunding Bonds; interest rates range from 3.75% to 5.125% on bonds outstanding. Principal due in annual installments of \$805,000 to \$3,625,000 commencing in June 2005 and running through June 2024; interest due semiannually. *Repayment of the bonds is funded from revenues of the Water Fund. The principal amount due is reported net of a deferred charge of \$436,841 and a refunding charge of \$1,452,547.*
- c. Water: Water System Revenue Refunding Bonds 2003 14,474,412
- 2003 Water System Revenue Refunding Bonds; interest rates range from 2.00% to 6% on bonds outstanding. Principal due in annual installments of \$275,000 to \$1,310,000 commencing in June 2003 and running through June 2020; interest due semiannually. *Repayment of the bonds is funded from revenues of the Water Fund. The principal amount due is reported net of a deferred charge of (\$757,054) and a refunding charge of \$2,162,642.*
- d. Sewer: Sewer System Revenue Bonds (Fowler Avenue Project) 20,000
- 1991 Sewer System Revenue Bonds, Series A; interest rates range from 6.3% to 6.6% on bonds outstanding. Principal due in final installment of \$20,000. (Paid in August 2003). *Repayment of the bonds is funded from revenues of the Sewer System.*
- e. Sewer: Sewer System Revenue Bonds (1993 Series A) 117,150,291
- 1993 Sewer System Revenue Bonds, Series A; interest rates range from 3.5% to 6.25%. Principal due in annual installments of \$4,190,000 to \$12,820,000 through September 1, 2023; interest due semiannually. *Repayment of the bonds is funded from revenues of the Sewer System. The principal amount due is reported net of a deferred charge of \$289,709.*
- f. Sewer: Sewer System Revenue Bonds (1995 Series A) 46,145,557
- 1995 Sewer System Revenue Bonds, Series A; interest rates range from 4.5% to 6.0%. Principal due in annual installments of \$1,500,000 to \$5,345,000 through September 1, 2026; interest due semiannually. *Repayment of the bonds is funded from revenues of the Sewer System. The principal amount due is reported net of a deferred charge of \$1,564,443.*
- g. Sewer: Sewer System Subordinate Lien Variable Rate Revenue Refunding Bonds (2000 Series A) 74,000,000
- 2000 Sewer System Subordinate Lien Variable Rate ⁽¹⁾ Revenue Refunding Bonds, Series A is due in annual installments of \$2,200,000 to \$15,700,000 through 2025. Initially the bonds will bear interest in the weekly Rate Model. Under the Liquidity Facility, the maximum interest rate is 12%. The interest rate at June 30, 2003 was .95%. *Bonds are payable solely from subordinate lien net revenues.*

⁽¹⁾ The 2000 Sewer Bonds bear interest at a "Weekly Rate" established by the Remarketing Agent having due regard for the prevailing financial market condition. The interest rate for such period is the lesser of (A) the Maximum Interest Rate (12%) or (B) 110% of the Tax Exempt Commercial Paper Rate as published in the The Bond Buyer or any successor publication.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Year Ended
June 30, 2003

- | | |
|--|------------|
| h. Solid Waste: Solid Waste Management Enterprise Revenue Bonds (Fresno Sanitary Landfill Closure Project and Acquisition of Solid Waste Bins) (2000 Series A) | 15,802,740 |
|--|------------|

2000 Solid Waste Management Enterprise Revenue Bonds Series A are due in annual installments of \$220,000 to \$1,330,000 through May 1, 2030; interest rates range from 4.4% to 6.0% on outstanding bonds. *Repayment of the bonds is funded from revenues of the Solid Waste Management System. The principal amount due is reported net of a deferred charge of \$52,260.*

- | | |
|--|------------|
| i. Convention Center: Fresno Joint Powers Financing Authority: 1998 Exhibit Hall Expansion Project | 31,077,047 |
|--|------------|

1998 Exhibit Hall Expansion Project Bonds issued September 1, 1998; interest is at 3.65% to 5.0% on outstanding bonds. Annual principal installments range from \$480,000 to \$1,737,405 through September 1, 2028. *Repayment of the bonds is funded from revenues of the Convention Center. The principal amount due is reported net of a deferred charge of \$552,488.*

- | | |
|------------------------------------|------------|
| j. Airports: Airport Revenue Bonds | 42,382,149 |
|------------------------------------|------------|

City of Fresno Airport Revenue Bonds, Series 2000A and Series 2000B, issued July 12, 2000; interest is at 5.00% to 6.0% on outstanding bonds. Annual principal installments range from \$600,000 to \$5,695,000 through July 1, 2030. *Repayment of the bonds is funded from revenues of the Airport. The principal amount due is reported net of a deferred charge of \$62,851.*

- | | |
|---|------------|
| k. Fresno Joint Powers Financing Authority: Lease Revenue Bonds Series 2001A, Series 2001B, Multi-purpose Stadium | 45,971,731 |
|---|------------|

2001 Multi-Purpose Stadium Lease Revenue Bonds issued May 15, 2001. Interest is at 3.5% to 7.03% on bonds outstanding; interest through May 1, 2003, paid from capitalized interest. Annual principal installments range from \$720,000 to \$3,250,000 from June 1, 2004 through 2031. *Repayment of the bonds is funded from lease revenue pledged by the City to the Authority. The principal amount due is reported net of a deferred charge of (\$121,731).*

Net Revenue and Other Bonds	671,593,677
Net Deferred Charges	5,685,858
Total Revenue And Other Bonds	\$ 677,279,535

(b) Tax Allocation Bonds

- | | |
|---|--------------|
| a. Fresno Joint Powers Financing Authority: Tax Allocation Revenue Bonds, Series 2001 | \$ 9,775,141 |
|---|--------------|

2001 Tax Allocation Revenue Bonds, issued March 1, 2001. Interest is at 4.0% to 5.25% on bonds outstanding. Principal due in annual installments of \$115,000 to \$535,000 through August 1, 2018; interest due semiannually. *Repayment of the bonds is financed from Pledged Tax Revenues derived from the Redevelopment Agency's Merger No. 2 Project Area. The principal amount due is reported net of a deferred charge of (\$190,141).*

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

**Year Ended
June 30, 2003**

(b) 1993 Tax Allocation Bonds, Series A: Mariposa Redevelopment Project 4,695,000

1993 Tax Allocation Bonds, Series A (Mariposa Redevelopment Project) issued February 1, 1993; interest is at 6.0% to 6.625% on bonds outstanding. Principal due in annual installments of \$70,000 to \$415,000 through February 1, 2023; interest due semiannually. *Repayment of the bond is funded from revenues of the Redevelopment Agency's Debt Service Fund.*

Net Tax Allocation Bonds	14,470,141
Net Deferred Charges	(190,141)
Total Tax Allocation Bonds	\$ 14,280,000

(c) Certificates of Participation

1. Governmental Activities

a. Fresno Joint Powers Financing Authority: 1991 Street Improvement Project \$ 6,462,822

1991 Street Improvement Project Bonds issued December 1, 1991. Interest is at 6.5% to 6.625% on bonds outstanding. Annual principal installments ranging from \$520,000 to \$920,000 through December 1, 2011; interest due semiannually. *Repayment of the bonds is funded from revenues of the Financing Authorities and Corporations' Debt Service Fund. The principal amount due is reported net of a deferred charge of \$37,178.*

2. Business-type Activities

a. Convention Center: Conference Center/Refinancing Project 1996 8,021,959

Convention Center Certificates of Participation issued February 22, 1996. Interest is at 3.3% to 5.0% on certificates outstanding. Annual principal installments ranging from \$495,000 to \$1,000,000 through April 1, 2013; interest due semiannually; guaranteed by a financial guarantee insurance policy purchased through a private insurer. *Repayment of the certificates is funded from Convention Center revenues. The principal amount due is reported net of a deferred charge of \$98,041.*

b. Arena Expansion: 1994 Capital Improvement Refinancing Project 6,950,000

Arena Expansion Certificates of Participation issued March 1, 1994. Interest is at 4.25% to 7.25%. Annual principal installments ranging from \$400,000 to \$1,460,000 through April 1, 2013; interest due semiannually; guaranteed by a financial guarantee insurance policy purchased through a private insurer. *Repayment of the certificates is funded from Convention Center revenues.*

Net Certificates of Participation	21,434,781
Net Deferred Charges	135,219
Total Certificates of Participation	\$ 21,570,000

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Year Ended
June 30, 2003

(d) Notes Payable

1. Governmental Activities

- a. Redevelopment Agency: Anna Alchian Family Trust Note 89,679

Anna Alchian Family Trust advanced \$247,500 on May 17, 1996. Principal and interest at fixed rate of 6.0% due in annual installments of \$33,627.

- b. City Debt: Fresno Pacific Towers Section 108 Note 1,205,000

Fresno Pacific Towers Section 108 Notes with interest at 5.4% to 5.6% to be paid quarterly. Annual principal payments due annually ranging from \$220,000 to \$430,000 through August 1, 2005.

- c. City Debt: Regional Medical Center Section 108 Note 2,595,000

Regional Medical Center Section 108 Notes with interest at 5.87% to 7.13% to be paid semi-annually. Principal payments are due annually ranging from \$70,000 to \$270,000 through August 1, 2017.

- d. City Debt: Fresno Madera Area Agency on Aging Section 108 Note 1,375,000

Fresno Madera Area Agency on Aging Section 108 Notes with interest at 3.79% to 3.98% to be paid semi-annually. Principal payments are due annually ranging from \$45,000 to \$135,000 through August 1, 2019.

- e. City Debt: Neighborhood Streets/Parks Improvement Project Section 108 Note 1,500,000

Neighborhood Streets/Parks Improvement Project Section 108 Note with interest at 1.75% to 6.12% to be paid semi-annually. Principal payments are due annually ranging from \$37,000 to \$130,000 through August 1, 2022.

2. Business-type Activities

- a. Water: Energy Usage Conservation Loan Program 199,284

California Energy Commission Loan Program under the California Public Resources Code. Contract between the State of California, California Energy Commission and the City to be used to replace well pump motors with highly efficient motors for the City's drinking water system. Principle and interest at 3% due in seven semi-annual installments of \$41,672 through December 2005. *Repayment of the note is funded from actual savings in energy costs resulting from the project or other available Division funds.*

- b. Water: Agricultural Drainage Water Management Loan 1,227,973

Agricultural Drainage Water Management Loan Program under the Water Conservation and Water Quality Bond Law of 1986. Contract between the State of California Department of Water Resources and the City for an agricultural drainage water management project loan under the Water Conservation and Water Quality Bond Law of 1986, interest at 3.1%. Principal due in annual installments of \$103,880 to \$135,481 through October 16, 2012, interest due annually. *Repayment of the note is funded from revenues of the Water Fund and any net proceeds received from any settlement or judgment.*

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

**Year Ended
June 30, 2003**

c. Water: Ground Water Recharge Construction Loan 1,276,900

Ground Water Recharge Construction Loan under the Water Conservation Bond Law of 1988. Contract between the State of California Department of Water Resources and the City for a ground water recharge construction loan under the Water Conservation Bond Law of 1988, interest at 3.08%. Principal due in annual installments of \$78,760 to \$117,007 through April 1, 2016, interest due annually

Repayment of the note is funded from revenues of the Water Fund.

Total Notes Payable \$ 9,468,836

(e) Debt Service Requirements

The annual debt service requirements for City of Fresno long-term debt outstanding as of June 30, 2003, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 7,375,271	\$ 16,619,651	\$ 12,636,158	\$ 21,897,507
2005	8,164,968	16,298,579	13,619,522	21,302,342
2006	8,224,440	15,929,393	13,061,226	20,769,050
2007	8,121,000	15,543,193	14,168,989	21,176,449
2008	11,879,000	15,139,830	15,722,960	19,795,007
2009-2013	35,905,000	55,817,065	63,905,174	70,670,558
2014-2018	56,283,000	56,656,315	89,808,426	68,004,344
2019-2023	56,422,000	39,169,094	105,615,869	43,624,470
2024-2028	59,600,000	21,794,781	77,552,038	20,269,960
2029-2033	29,455,000	2,924,575	35,078,330	4,213,640
Subtotal	<u>281,429,679</u>	<u>255,892,476</u>	<u>441,168,693</u>	<u>311,723,327</u>
Deferred Charges (on issuance)	<u>163,968</u>	<u>-</u>	<u>(5,794,905)</u>	<u>-</u>
Total	<u>\$ 281,593,647</u>	<u>\$ 255,892,476</u>	<u>\$ 435,373,788</u>	<u>\$ 311,723,327</u>
Deferred Charges - Due within one year	<u>\$ 1,453</u>		<u>\$ 435,227</u>	

(f) Capital Lease Obligations

The City has entered into two long-term master lease agreements with Pitney Bowes and Koch Financial for the purpose of financing the acquisition of equipment and furniture related primarily to Police and Fire operations and General Services. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Balances are included in the Summary of Long-Term Liabilities (footnote 7). Debt service requirements are presented below. Interest rates range from 2.41% to 5.60%.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 1,263,452	\$ 480,228	\$ 3,082,459	\$ 191,298
2005	785,817	424,681	1,894,791	66,482
2006	807,001	384,417	264,409	6,721
2007	696,106	346,299	25,281	505
2008	685,522	310,859	-	-
2009-2013	1,902,200	1,150,320	-	-
2014-2018	778,476	796,449	-	-
2019-2023	776,136	528,332	-	-
2024-2028	768,303	144,825	-	-
Total	\$ 8,463,013	\$ 4,566,410	\$ 5,266,940	\$ 265,006

(g) General Fund Obligations – Short-Term Borrowing

The City participated in the California Statewide Communities Development Authority's (CSCDA) issuance of Tax and Revenue Anticipation Notes (TRANS) totaling \$37 million for funding operations. TRANS were issued at an interest rate of 3.0% with a yield of 1.7%, and matured on June 30, 2003. Principal and interest payments were funded by unrestricted tax revenues of the City.

(h) Accrued Liabilities and other short-term obligations

Accrued Liabilities at June 30, 2003, include accounts payable, retentions payable, salaries and benefits payable, accrued interest and various other current obligations. All short-term obligations are expected to be substantially paid within the next twelve-month fiscal-year operating cycle.

Note 8. INTERFUND ACTIVITY

(a) Due to/from Other Funds

Due to Other Funds represent short-term borrowings resulting from a funds temporary need for additional cash. These amounts are expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances at June 30, 2003, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Stadium	\$ 750,329
	Water	10,927
	Grants Fund	981,021
	Redevelopment Agency Debt Service	73,250
		<u>1,815,527</u>
Measure C	Stadium	<u>11,959</u>
Community Service	City Combined	<u>1,531,173</u>
Redevelopment Agency Debt Service	Convention Center	245,837
	Redevelopment Agency Capital Project	68,831
	City Departmental	3,108
		<u>317,776</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
City Combined	Stadium	<u>2,608</u>
Redevelopment Agency Capital Project	Special Gas Tax	<u>435,524</u>
UGM Capital Projects	Convention Center	<u>1,978,580</u>
Water	Special Gas Tax	<u>2,331,876</u>
Sewer	City Combined	<u>8,000,000</u>
Airports	Redevelopment Agency Capital Project	<u>859,773</u>
Development Services	Financial Authorities and Corporations	<u>2,491</u>
General Services	Water	114,827
	Sewer	87,101
	Transit	<u>4,757,682</u>
		<u>4,959,610</u>
Risk	Parks and Recreation	<u>1,279,249</u>
City Departmental	General Services	<u>13,587</u>
Special Gas Tax	Stadium	<u>5,476</u>
Transit	General Services	<u>14,312</u>
Total Due To Other Funds		\$ <u>23,559,521</u>

(b) Advances

Advances represent long-term borrowing between funds. Interest is calculated at the current rate on advances between the City and the Redevelopment Agency. These amounts are not expected to be repaid within the next twelve-month fiscal operating cycle. The composition of interfund balances (advances from/to other funds) as of June 30, 2003, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Services	\$ 2,394,650
	Redevelopment Agency Debt Service	<u>11,493,409</u>
		<u>13,888,059</u>
Special Gas Tax	Redevelopment Agency Debt Service	<u>3,337,578</u>
Grants Fund	City Combined	20,095
	City Departmental	708,317
	Redevelopment Agency Debt Service	<u>31,279,981</u>
		<u>32,008,393</u>
City Combined	Redevelopment Agency Debt Service	<u>14,125,456</u>
Water	Airports	531,089
	Parks and Recreation	248,468
	General Services	200,000
	Redevelopment Agency Debt Service	<u>1,033,944</u>
		<u>2,013,501</u>

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer	Redevelopment Agency Debt Service	680,169
Solid Waste Management	Billing and Collection	43,659
Airports	Redevelopment Agency Debt Service	5,664,610
Convention Center	General Fund	1,797,097
	City Departmental	991,460
		<u>2,788,557</u>
Parking	Redevelopment Agency Debt Service	207,758
General Services	Solid Waste Management	666,519
	Community Sanitation	161,574
		<u>828,093</u>
Risk Management	General Fund	1,271,733
City Departmental	Parking	1,743,500
Measure "C"	Redevelopment Agency Debt Service	200,540
RDA Capital Project	Special Gas Tax	980,000
Total Advances		\$ <u>79,781,606</u>

(c) Transfers

Transfers represent subsidies by one fund to another in accordance with the budget. The following is a summary of Interfund balances as of June 30, 2003.

<u>Receiving Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$ 525,500
	Community Service	150,000
	Redevelopment Agency – Capital	1,079,289
	Convention Center	250,000
	General Services	620,992
		<u>2,625,781</u>
Special Gas Tax	General Services	60,927
Grants Fund	General Fund	466,843
	General Services	30,789
		<u>497,632</u>
Measure C	General Services	56,896
Community Service	General Services	475
Financing Authority and Corporations	General Fund	1,163,602
	Special Gas Tax	292,619
	Grants Fund	190,429
	Community Sanitation	108,190
	Parking	100,349
	Development	477,752
	General Services	1,156,576

City of Fresno, California
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For the Fiscal Year Ended June 30, 2003

<u>Receiving Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
	Risk	73,371
	Billing and Collection	279,482
		<u>3,842,370</u>
Debt - City	General Fund	12,885,876
	Grants Fund	1,012,762
	Water	320,169
	Sewer	471,838
	Solid Waste	410,630
	Community Sanitation	148,364
	Airports	200,657
	Convention Center	98,174
	Transit	659,572
	Parking	49,388
	Parks and Recreation	25,646
	Development	284,405
	General Services	835,560
	Risk Management	26,647
	Billing and Collection	175,712
		<u>17,605,400</u>
Redevelopment Agency – Capital Projects	Redevelopment Agency – Debt Service	<u>10,745,054</u>
City Combined	UGM Impact Fees	<u>37,816</u>
Special Assessment – Capital Projects	General Services	<u>9,154</u>
Water	General Services	<u>148,171</u>
Sewer	General Services	<u>106,890</u>
Solid waste	General Services	<u>967,312</u>
Community Sanitation	General Services	<u>178,644</u>
Airports	General Services	<u>18,836</u>
Convention Center	General Fund	5,602,500
	General Services	283,332
	Redevelopment Agency - Debt Service	311,600
		<u>6,197,432</u>
Transit	Measure "C"	1,688,153
	General Services	74,869
		<u>1,763,022</u>
Parking	General Services	<u>6,056</u>
Parks and Recreation	General Services	<u>2,570</u>
Development Services	Grants Fund	225,000
	U G M Impact Fees	40,026
	General Services	17,516
		<u>282,542</u>

City of Fresno, California
Notes to the Basic Financial Statements
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<u>Receiving Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
Stadium	Parking	620,500
	General Fund	94,300
		<u>714,800</u>
General Services	Redevelopment Debt Service	<u>506,418</u>
Risk Management	Water	53,681
	Sewer	40,854
	Solid Waste Management	100
	Parking	1,676
	Development Services	45,323
	General Services	120,513
	Billing and Collections	<u>27,512</u>
		<u>289,659</u>
Billing and Collections	General Services	<u>9,929</u>
Total		\$ <u><u>46,673,786</u></u>

Significant Interfund Transfers at June 30, 2003, were \$12,885,876 from the General Fund to the City Debt Service Fund to fund annual principal and interest payments on the Taxable Pension obligation Bonds Refunding Series 2002; \$10,745,054 from the various Redevelopment Agency Debt Service to fund Redevelopment Agency Capital Projects and \$5,602,500 from the General Fund to the Convention Center Enterprise Fund to provide funding for debt repayments on the Convention Center/Refinancing 1996 Project debt and the 1994 Capital Project Refinancing Arena Project debt.

Note 9. DEFEASANCE AND REFUNDING OF LONG-TERM DEBT

(a) Current-Year Refundings

April 23, 2003: The City defeased the Water System Revenue Refunding Bonds Series 1993 through a current refunding by issuing the Water System Revenue Refunding Bonds, Series 2003 and placing proceeds in Escrow for the purpose of paying off all remaining bonds outstanding on the Series 1993. The payoff occurred on June 1, 2003. The refunding reduced annual debt service payments, and resulted in an economic gain of \$1,486,890.

(b) Prior-Year Defeasances

July 1, 1998: The City defeased a portion of the Water System Revenue Bonds Series 1995A through an advance refunding by placing proceeds in Escrow for the purpose of paying debt service on the bonds through June 1, 2005, at which time all remaining defeased bonds outstanding would be prepaid. At June 30, 2003, \$29.735 million of these bonds outstanding are considered defeased.

May 3, 2000: The City defeased the Airport Revenue Refunding Bonds Series 1995 by placing monies in Escrow for the purpose of paying debt service on the bonds through July 1, 2007, at which time all remaining bonds outstanding would be prepaid. At June 30, 2003, \$1.68 million of these bonds outstanding are considered defeased.

May 17, 2000: The City defeased portions of the Sewer System Revenue Bonds Series 1993 and Series 1995 through an advance refunding by placing proceeds in Escrow for the purpose of paying debt service on the bonds through September 1, 2019, at which time prepayments of outstanding bonds will begin. At June 30, 2003, \$51.615 million of the Series 1993 bonds and \$36.940 million of the Series 1995 bonds are outstanding and considered defeased.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

- July 13, 2000: The City defeased the Pension Obligation Bonds Series 1994 by placing monies in Escrow for the purpose of paying debt service on the bonds through June 1, 2014. At June 30, 2003, \$155.465 million of these bonds outstanding are considered defeased.
- May 23, 2002: The City defeased the Judgment Obligation Bonds Series 1998 and a portion of the Judgment Obligation Bonds Series 1994 through an advance refunding by issuing the Judgment Obligation Bonds Series 2002 and placing proceeds in Escrow for the purpose of paying off all remaining bonds outstanding on the Series 1998 bonds and \$2.445 million on the Series 1994 bonds. The payoff will occur on August 1, 2004. The refunding extended the term an additional eight years, thereby reducing annual debt service payments, and resulted in an economic loss of \$88,000. At June 30, 2003, \$4.615 million of these bonds outstanding are considered defeased.
- May 23, 2002: The Fresno Joint Powers Financing Authority defeased the Lease Revenue Bonds Series 1992A through a current refunding by issuing the Lease Revenue Refunding Bonds Series 2002A and placing proceeds in Escrow for the purpose of paying off all remaining bonds outstanding on August 1, 2002. The refunding extended the term an additional three years, thereby reducing annual debt service payments, and resulted in an economic gain of \$336,537. At June 30, 2003, \$7.165 million of these bonds outstanding are considered defeased.

Note: Liabilities for defeased bonds are not included in the City's financial statements.

Note 10. RISK MANAGEMENT FUND

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City accounts for risks from self-insurance programs in the Risk Management Internal Service Fund. This fund is used to account for the City's workers' compensation, general liability, property, unemployment insurance and employee health and welfare benefits.

The City is self-insured by liability exposures, except for the Fresno Airport, which has liability insurance coverage with limits up to \$60,000,000. The City's general liability program consists of a \$2,500,000 self-insured retention with purchased excess insurance of an additional \$10,000,000 coverage. The City's Workers' Compensation Program consists of a \$1,000,000 self-insured retention with purchased excess insurance layered up to the statutory limit. The City has all risk property insurance for physical loss or damage with a \$25,000 deductible and limits of insurance up to \$200,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Charges to other City funds by the Risk Management Fund are based on historical cost information and are adjusted over a reasonable period of time so that Internal Service Fund revenues and expenses are approximately equal. Reserves for self-insurance for these programs include estimated liability amounts for claims filed against the City for their programs as well as the estimated amount of claims incurred but not reported.

The estimated liabilities of the Risk Management Internal Service Fund as of June 30, 2003, are determined by the City based on recommendations from an independent actuarial evaluation. The liabilities are based on estimates of the ultimate cost of claims (including future claim adjustments expenses) that have been reported but not settled, and claims that have been incurred but not reported (IBNR). The claims liability of \$53,296,532 reported in the Risk Management Internal Service Fund at June 30, 2003, is based on the requirement that claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The recorded liabilities for each program at June 30, 2003, are as follows:

Workers' Compensation	\$	38,020,157
Liability and Property Damage		12,826,375
Health and Welfare		2,450,000
Total	\$	<u>53,296,532</u>

The liabilities for workers' compensation and general liability are presented at present value, using a discount rate of 3%, down .5% from the prior year's 3.5%.

City of Fresno, California
Notes to the Basic Financial Statements
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Changes in the funds claims liability amount for the last three fiscal years are as follows:

<u>Fiscal Year Ended June 30</u>		<u>Beginning of Fiscal Year Liability</u>		<u>Current Year Provision for Claims</u>		<u>Claims Payments</u>		<u>End of Fiscal Year Liability</u>
2001	\$	32,701,262	\$	17,768,866	\$	14,667,942	\$	35,802,186
2002		35,802,186		30,942,685		15,215,515		51,529,356
2003		51,529,356		31,462,373		29,695,197		53,296,532

Note 11. EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

Employees Retirement System and Fire and Police Retirement Systems (the Systems) are single-employer defined benefit pension plans administered by two individual Retirement Boards. The Systems provide retirement, disability, and death benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries as provided for in the City of Fresno's Municipal Code, and are based on changes in the consumer price index. Articles 18, 17, and 17A of the Municipal Code of the City of Fresno assign authority to administer the retirement systems to the respective Retirement Boards. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Employees Retirement System and the Fire and Police Retirement System. The reports may be obtained by writing the City of Fresno Employees Retirement Office, 2600 Fresno Street, Room 2170, Fresno, California, 93721.

Permanent full-time employees of the City of Fresno are eligible to participate in the respective Employees Retirement or Fire and Police Retirement Systems (Plans). Employees working in limited, interim, provisional, temporary, seasonal, or part-time positions are not eligible to participate in the Plan. Participation is mandatory if an employee is eligible except in the case of the City Manager, City Attorney, City Clerk, Department Heads and Council Assistants as provided in the Fresno Municipal Code (FMC) Section 2-1813. The City Manager, City Clerk, City Attorney, Department Heads or Council Assistants, who are not already a member, may negotiate other retirement benefits if such an agreement is established by resolution of the Council.

Basis of Accounting

The Plans use the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plans per Sections 2-1717, 2-1817 and 2-1718, 2-1821 of the Municipal Code.

Securities lending transactions are accounted for in accordance with GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, which establishes reporting standards for securities lending transactions. In accordance with Statement No. 28, cash received as collateral on securities lending transactions and investments made with that cash are reported as assets and liabilities resulting from these transactions and are both reported in the Statement of Plan Net Assets. In addition, the costs of securities lending transactions are reported as an expense in the Statement of Changes in Plan Net Assets.

Valuation of Investments

Plan investments are reported at fair value, calculated as cost plus unrealized gains or losses. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in both bonds and mortgage-backed pass-through certificates are carried at fair value.

Cost values are derived from Master Custodial Transaction Records. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Funding Policy

The contribution requirement of Plan members and the City of Fresno is established by Municipal Code and administered by the Retirement Boards. Contribution rates, which are based on the calculations of the Systems' independent actuary and adopted by the Boards, are presented as a percentage of annual covered salary/payroll. Currently, the employer's normal contribution rate for the Employees System is 11.74%. It was 11.97% at the end of June 2002. For the Fire and Police System the rate is 25.55% for the fiscal year ended 2003 and was 25.44% for the fiscal year ended 2002 for Tier I. For Tier II the rate is 14.73 % and 14.52% respectively for each year. However, these rates are currently offset by the pre-funded actuarial accrued liability resulting in a net zero contribution from the City.

	<u>Employees</u>	<u>Fire & Police I</u>	<u>Fire & Police II</u>
Members' Average Rate	7.96%	*%	9.00%
Employer's Gross Rate	11.74 %	25.55%	14.73%
Prefunded Pct. Accrued Liability Offset	(11.74)%	(25.52)%	(14.73)%
Net Employer's Rate	0	.03	0

*The employee contribution rates are dependent upon entry age with rates for ages 25, 35, and 45 being 5.2%, 6.5% and 6.43% respectively.

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the June 30, 2002, actuarial valuation using the entry age actuarial cost method for the Fire and Police System and the projected unit credit actuarial cost method for the Employees System. The actuarial assumptions included (a) 8.25% investment rate of return, and (b) projected salary increases based on the Systems' prior experience. Both (a) and (b) included an inflation component of 4.50%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of three years. The Systems do not have unfunded actuarial liabilities.

Three-Year Trend Information

The City of Fresno contributed 100% of its annual pension costs and had no outstanding net pension obligations for fiscal years 2001, 2002 and 2003. Actual employer contributions were not required due to the prefunded actuarial liability of the system.

EMPLOYEES RETIREMENT SYSTEM

<u>Fiscal Year Funding June 30</u>	<u>Annual Pension Cost [APC]</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	9,865,910 ⁽¹⁾	100	0
2002	10,650,621 ⁽¹⁾	100	0
2003	11,462,692 ⁽¹⁾	100	0

FIRE AND POLICE RETIREMENT SYSTEM

<u>Fiscal Year Funding June 30</u>	<u>Annual Pension Cost [APC]</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	11,927,688 ⁽¹⁾	100	0
2002	12,089,482 ⁽¹⁾	100	0
2003	12,479,125 ⁽¹⁾	100	0

⁽¹⁾ Employer contributions are reported net of prepayment credits associated with the sale of Pension Obligation Bonds.

City of Fresno, California
Notes to the Basic Financial Statements
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(b) Compensated Absences

Vacation pay, which may be accumulated up to 600 hours depending on an employee's bargaining group and length of service, is payable upon termination.

Sick leave, which may be accumulated up to 12 hours per month, has no maximum. Several bargaining groups have payoff provisions at retirement based on formulas specific to the groups. The majority of employees however, do not have payoff provisions in their bargaining group's contract.

Annual leave, which may be accumulated up to 800 hours, is payable upon termination or retirement.

Holiday leave, for most bargaining groups, has no maximum accumulation and is payable for active employees as well as at termination or retirement.

The portion of the City's obligation relating to employees' rights to receive compensation for future absences, that is attributable to services already rendered, is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

Vested or accumulated vacation leave is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Accrued Employee Leave balances as of June 30, 2003, are as follows:

Department	Accrued Vacation and Sick Leave Pay	Current Portion
General Fund	\$ 9,994,626	\$ 3,169,583
Gas Tax	250,026	18,393
Grants Fund	486,927	150,871
Community Service	30,902	5,226
Special Assessment	18,839	4,336
Water	516,399	43,347
Sewer	705,308	95,406
Solid Waste	620,799	100,481
Community Sanitation	334,381	60,293
Airports	665,628	109,681
Convention Center	289,020	44,175
Transit	1,140,692	161,708
Parking	36,069	5,714
Parks and Recreation	65,880	8,330
Development	633,795	67,038
General Services	2,015,457	236,062
Risk	40,888	23,848
Billing and Collection	315,618	33,635
	<u>\$ 18,161,254</u>	<u>\$ 4,338,127</u>

(c) Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all full-time employees and Council Members, permits them to defer a portion of salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

City of Fresno, California
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(d) Health Benefit Plan

The City has a PPO health plan that covers all permanent full-time and part-time employees. The plan is a 80/20 plan with the employee paying 20% of the first \$5,000 of medical expenditures. The plan has a \$200 deductible for each family member up to \$600 maximum per family. The plan also covers dental, chiropractic, vision and pharmacy services.

Note 12. NO-COMMITMENT DEBT

The City is not liable for repayment of any of the following bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

(a) Health Facilities Bonds

The City has remaining health facilities bonds totaling \$175.2 million. These bonds were issued to provide administrative and service facilities for St. Agnes Medical Center.

(b) Industrial Development Bonds

The City has only one issue of industrial development bonds totaling \$2.3 million. These bonds were issued to purchase land and construct a health equipment manufacturing plant within the City's Enterprise Zone.

(c) Multifamily Housing Revenue Bonds

The City has issued multifamily housing revenue bonds totaling \$85.3 million. The bonds were issued to provide funds for the purchase and/or construction of multifamily housing facilities to provide low-income housing to Fresno residents.

(d) Special Assessment Debt

The City is not obligated in any manner for the Special Assessment debt, but is acting as an agent for property owners in collecting the assessments and forwarding the collections to the trustee, and initiating foreclosure proceedings, if appropriate. Special Assessment debt payable to bond holders was \$31,495,000 at June 30, 2003.

Note 13. COMMITMENTS AND CONTINGENCIES

(a) Closure and Postclosure Care Cost

The City is currently in the process of closing a former landfill site as part of the Environmental Protection Agency's (EPA) Superfund program. Management estimates remaining costs to complete the landfill closure as of June 30, 2003, to be \$9,754,385 and has recorded this liability in the Solid Waste Enterprise Fund. The former landfill site has not received solid waste since 1987. The estimated total remaining costs to complete the landfill closure are based on the equipment, facilities, and services required to close, monitor and maintain the landfill as of June 30, 2003. Actual post closure costs may be higher due to inflation, changes in technology or changes in landfill laws and regulations. Additionally, the City has been notified that the EPA will review the City's plans for closing the landfill site. As a result of such review, the City may be required to undertake certain procedures that could substantially increase the costs of the closure; however, no estimate of any additional costs can be made at this time. Management, after consultation with legal counsel, believes that the amounts ultimately paid for remedial closure costs can be recovered from the landfill users.

During fiscal year 1992, in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," the City recorded a receivable from rate payers approximately equal to the original estimated liability for clean up of the site. The statement provides for the recording of the receivable because the City Council is empowered by statute to establish rates that bind customers, and the rate increase was designed to recover only costs incurred related to the landfill site closure, rather than provide for similar future costs. The amount receivable at June 30, 2003, is \$5,358,123.

(b) Litigation

The City is involved in litigation with the Howard Jarvis Taxpayers Association and other plaintiffs in which the City's "In-Lieu" fees are being alleged as being in violation of the provisions of Proposition 218. The trial court upheld the plaintiff's

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

summary judgement motion declaring the fee invalid. The City believes that strong arguments exist to deem "In-Lieu" fees valid under Proposition 218. The City has filed a Notice of Appeal with the Fifth District Court of Appeal and will vigorously defend its position. Should the City's appeal be denied, the City could experience a \$9 million dollar per year reduction to its general fund beginning July 1, 2004.

There are various other lawsuits and claims pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that these matters will not have a material adverse effect on the financial condition of the City at June 30, 2003.

(c) Contingent Liabilities

The City participates in many federal and state assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. Some audits of these programs at June 30, 2003, have not yet been conducted or concluded. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial to its financial statements.

CVP Water Contract

The City obtains a portion of its water supplies through the Central Valley Project ("CVP") pursuant to a contract (the "CVP Contract") with the United States Bureau of Reclamation ("USBR"). Under the CVP Contract, the City is entitled to receive from the CVP a maximum of 60,000 acre-feet per year of water, at \$10 per acre-foot. In addition to the costs of water under the CVP contract, the per acre-foot price for CVP water has increased as a result of the USBR's implementation of two recently enacted federal statutes, the Coordinated Operation Act and the Central Valley Project Improvement Act (CVPIA). These additional charges increased the per acre-foot cost of CVP Water to approximately \$32.38 per acre-foot. These additional costs are currently accounted for in the City's water rates.

The USBR has also put the City on notice that the USBR intends to impose on the City, through the City's renewed CVP Contract, additional charges that are intended to recover alleged "underpayments" ("Alleged Deficit") the USBR claims has accrued during the term of the current CVP Contract. The USBR claims the City must pay this Alleged Deficit because the rates specified in the City's current CVP Contract are less than the USBR's actual cost of providing the CVP water. The USBR's estimate of the Alleged Deficit is approximately \$50 million as of June 30, 2003. The USBR has asserted similar claims of deficits against several other large municipal water suppliers who also hold CVP water supply contracts with the USBR. In March 2003, the City joined with these other CVP municipal contractors in suing the USBR over the Alleged Deficit. The City, along with the other similarly situated CVP contractors, has asserted that the USBR has no legal authority to impose the Alleged Deficit, and that the contractors do not have any legal obligation to pay the Alleged Deficit. The deficit litigation is in the early stages of the discovery (pre-trial) process. Because the litigation is in its very early stages, it is premature to speculate on the potential outcome of the case. However, the City continues to contend that USBR has no legal authority to impose the Alleged Deficit, and thus, the deficit obligation is not legally binding on the City.

The CVP contract, a forty-year contract, is set to expire in 2006. The City is currently in negotiation with the USBR to renew the CVP Contract. In connection with the renewal of the CVP Contract, the USBR will require that the City comply with "best management practices", including the metering of all water service connections. The USBR has indicated that the City would need to complete the metering program by January 1, 2013. The City may or may not incur additional capital costs related to the installation of the meters depending on whether they are phased in and made the responsibility of the residential owners (\$0 cost to the City), or installed and paid for by the City (approximately \$36 million). Failure to meter residential accounts could result in the City being unable to renew the CVP Contract. Loss of the CVP Contract could limit the City's ability to fully implement its adopted 2025 General Plan unless alternative supplies of water were secured. Alternative sources of water other than the CVP Contract, while an option, would be more expensive and would necessitate future rate increases.

RDA

The Agency is a defendant in a legal action seeking damages of \$500,000 related to the forced relocation of a business. In the opinion of Agency management, the ultimate outcome of this claim will not have a material effect on these financial statements.

City of Fresno, California
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For the Fiscal Year Ended June 30, 2003

(d) Toxics Mitigation

Contamination (primarily TCE, a common solvent) has been identified in soils and groundwater beneath property currently owned by the City. The site known as Old Hammer Field, is the subject of investigation and clean up efforts jointly funded by Boeing, the US Army Corps of Engineers and the City of Fresno. The California Department of Toxic Substance Control (DTSC) is the lead regulatory agency-overseeing site clean up. All contaminants were discharged by other parties, not by the City, but discharges at the airport occurred while the City owned the property and leased it to various entities, whose activities caused the discharges. As a non-contributory, overlaying landowner, the City has limited fiscal liability for clean up efforts. DTSC issued an opinion, subsequent to year-end (December 22, 2003) of the cost allocation placing the City's share at five percent, which is consistent with independent analysis commissioned by the City. Clean up efforts are expected to last up to 50 years, with total clean up costs estimated at \$12.4 million (net present value of capital and operations/maintenance) of which the City's share is estimated to equal 5% or \$620,000. An interim remedial measure has been implemented and a Draft Final Remedial Action Plan has been tentatively approved by the DTSC. The Airports Department budgeted \$450,000 in Fiscal Year 2003-2004.

The widespread occurrence of DBCP, an agricultural pesticide in certain groundwater has been identified throughout the Fresno Metropolitan Area. At various City well sites DBCP exceeds drinking water limits and is removed by Granular Activated Carbon treatment. The City fronted the costs of clean up with respect to the known wells and reimbursed itself from a DBCP Recovery Fund, which was established with proceeds from a litigation settlement in an original amount of approximately \$21 million. \$10 million was stipulated to be used toward past costs, and \$11 million was to be applied toward the installation of carbon filtration treatment units, all of which have been completed. Subject to numerical limits, the settlement arrangement also provides for the City to be reimbursed for the capital costs of the installation of granular activated carbon treatments (GAC) at wells exceeding maximum contaminant levels with reimbursements ranging from \$337,500 to \$540,000 depending on well site. Funding also is provided for the on going operation and maintenance clean up costs of approximately \$27,900 to \$31,000 per contaminated well (depending on type), adjusted for inflation, with such payment obligations ending on June 26, 2035. The City is not responsible for "cleanup" in the context common to hazardous material remediation. The City can elect to treat wells or simply shut them down. Future costs to clean up and monitor new discoveries of contamination at existing sites or additional sites that may be identified are being budgeted as a contingency of approximately \$500,000 per year and are eligible for reimbursement under the settlement agreement through June 26, 2035.

(e) Leases Operating

The City has operating leases for certain buildings, parking areas, ponding basins, hanger space and storage areas which require the following minimum annual payments (in thousands).

Governmental Activities

<u>Fiscal Years</u>	<u>Police</u>	<u>Public Works</u>	<u>Other Depts.</u>	<u>Total</u>
2004	\$ 301,961	\$ 44,676	\$1,584	348,221
2005	246,620	44,676	-	291,296
2006	198,282	44,676	-	242,958
2007	-	44,676	-	44,676
2008	-	44,676	-	44,676
2009 - 2024	-	67,014	-	67,014
Total	\$ 746,863	\$ 290,394	\$ 1,584	\$1,038,841

Business – type Activities

<u>Fiscal Years</u>	<u>Airports</u>	<u>Transit</u>	<u>Other Depts.</u>	<u>Total</u>
2004	\$ 181,694	\$ 71,156	\$ 85,811	\$ 338,661
2005	181,694	71,156	56,513	309,363
2006	181,694	71,156	40,800	293,650
2007	181,694	11,859	40,800	234,353
2008	181,694	-	-	181,694
2009 - 2024	2,907,104	-	-	2,907,104
Total	\$3,815,574	\$ 225,327	\$ 223,924	\$ 4,264,825

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The City has various other operating leases (both Governmental and Business – type) that have either expired and are now functioning on a month-to-month basis or were written on a month-to-month or some other basis that states no specified expiration date. These leases combined require annual lease payments totaling \$47,482 per year.

(f) Construction and Other Significant Commitments

At June 30, 2003, the City had commitments for the following major construction projects:

<u>Project Title</u>	<u>Remaining Construction Committed</u>
Governmental:	
Left Turn Projects	\$ 2,140,372
General Street Projects	16,584,805
Shaw/Marks Grade Separation	2,449,553
Downtown Parking Facilities	2,494,213
Total Governmental	<u>23,668,943</u>
Proprietary:	
Surface Water Treatment Facility	28,974,231
Sewer Main Rehab	3,095,776
Regional Park/Sports Complex	1,772,364
Total Proprietary	<u>33,842,371</u>
Total Major Construction Projects	\$ <u>57,511,314</u>

Note 14. SECURITIES LENDING

The City of Fresno Municipal Code and the Boards of Trustees' policies permit the Retirement Board of the Fresno Fire and Police Retirement Systems and the Retirement Board of the Fresno City Employees Retirement System to use investments of both Systems to enter into securities lending transactions, loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Systems contracted with State Street Bank in October 1990 for securities lending services.

As custodian, State Street Bank acts as agent for all securities lending transactions. Collateral must be cash, securities issued or guaranteed by the U.S. Government, or an irrevocable letter of credit. Transactions are collateralized at 102% of market value for domestic securities and 105% for international securities. Collateral is marked to market daily. The custodian will invest cash collateral received in short-term investment funds (maintained by the custodian), money market mutual funds, and other similar investments as the custodian may select. At year-end, the System has no credit risk exposure to borrowers because the collateral value exceeds market value.

The average term of all System loans is overnight or "on demand." The custodian will ensure that in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice, and without any penalty. The System cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, State Street Bank indemnifies the Systems to the extent of replacing the securities lent.

Cash collateral is invested in the lending agent's short-term investment pool, which, as of June 30, 2003, had a duration of 70 days and a yield of 1.29%. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool and a definitive statement of that relationship cannot be formulated by the System. There are no credit risks related to the securities lending transactions as of June 30, 2003, as defined by GASB Statement No. 28.

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Employees Retirement System
Fair Value of Loaned Securities as of June 30, 2003

Collateralized by	Cash	Securities	Letters of Credit	Tri-Party	Totals
U.S. Government and Agency	\$ 27,099,350	\$ -	\$ -	\$ 6,670,250	\$ 33,769,600
Domestic Equities	36,630,735	24,923	-	-	36,655,658
Domestic Fixed Equities	4,276,442	-	-	-	4,276,442
International Fixed Equities	<u>12,821,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,821,134</u>
	<u>\$ 80,827,661</u>	<u>\$ 24,923</u>	<u>\$ -</u>	<u>\$ 6,670,250</u>	<u>\$ 87,522,834</u>

Employees Retirement System
Fair Value of Collateral Received for Loaned Securities as of June 30, 2003

Collateralized by	Cash	Securities	Letters of Credit	Tri-Party	Totals
U.S. Government and Agency	\$ 27,636,524	\$ -	\$ -	\$ 6,881,908	\$ 34,518,432
Domestic Equities	42,020,822	25,853	-	-	42,046,675
International Equities	<u>13,463,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,463,261</u>
	<u>\$ 83,120,607</u>	<u>\$ 25,853</u>	<u>\$ -</u>	<u>\$ 6,881,908</u>	<u>\$ 90,028,368</u>

Fire and Police System
Fair Value of Loaned Securities as of June 30, 2003

Collateralized by	Cash	Securities	Letters of Credit	Tri-Party	Totals
U.S. Government and Agency	\$ 30,480,496	\$ -	\$ -	\$ 7,502,487	\$ 37,982,983
Domestic Equities	41,201,098	28,032	-	-	41,229,130
Domestic Fixed Equities	4,810,008	-	-	-	4,810,008
International Equities	<u>14,420,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,420,809</u>
	<u>\$ 90,912,411</u>	<u>\$ 28,032</u>	<u>\$ -</u>	<u>\$ 7,502,487</u>	<u>\$ 98,442,930</u>

Fire and Police System
Fair Value of Collateral Received for Loaned Securities as of June 30, 2003

Collateralized by	Cash	Securities	Letters of Credit	Tri-Party	Totals
U.S. Government and Agency	\$ 31,084,693	\$ -	\$ -	\$ 7,740,553	\$ 38,825,246
Domestic Equities	47,263,698	29,078	-	-	47,292,776
International Equities	<u>15,143,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,143,054</u>
	<u>\$ 93,491,445</u>	<u>\$ 29,078</u>	<u>\$ -</u>	<u>\$ 7,740,553</u>	<u>\$ 101,261,076</u>

Note 15. SUBSEQUENT EVENTS

Subsequent to the year, the operations of the Convention Center were privatized. An RFP was issued in early spring and two proposals were received. Council approved the proposal presented by SMG, Inc. As a result a reduction of the General Fund subsidy to the Convention Center of approximately \$341,000 will result. The anticipated savings will be used to fund debt service payments that will be needed to fund approximately \$10 to \$12 million in capital improvements and renovations that are needed for the Selland Arena. The first payments for these renovations are not anticipated to be made until Fiscal

City of Fresno, California
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Year 2004. The initial savings of \$341,000 has been budgeted for neighborhood infrastructure projects in 2003-2004, thereby offsetting a loss of State funding. As of the date of this financial statement the terms of the contract with SMG, Inc. are being finalized. It is expected that SMG will assume operations as of January 1, 2004.

In July 2003, the City continued participation in the California Statewide Communities Development Authority (CSCDA) in order to be included in their Tax and Revenue Anticipation Bonds program. The CSCDA authorized the issuance of Tax and Revenue Anticipation Bonds, Series A-2, at a coupon rate of 2.0% and a net interest cost of .088%. The principal amount of the bonds was \$40 million, which was used to fund uneven cash flows in the General Fund due to timing differences between revenues and expenditures.

In August 2003, the City paid the remaining \$20,000 in outstanding Sewer System Revenue Bonds, Series 1991.

On September 1, 2003, SB 1045 was signed into law requiring redevelopment agencies statewide to shift approximately \$135 million of property tax increment revenues to the State's Educational Revenue Augmentation Fund (ERAF) as a way to mitigate the State's 2003-2004 budget deficit. The Agency has determined its portion to contribute \$316,380.

Note 16. OTHER INFORMATION

(a) Collateral Held

The City obtains various forms of collateral with respect to the numerous contracts that it enters into. The collateral may take the form of performance bonds, payment bonds, surety bonds, certificates of deposit, escrow agreements, etc. The purpose of the collateral is to protect the City from loss in case the terms of a contract are not filled or complied with. The City may not convert the collateral to its use unless a breach of contract occurs; therefore this collateral is not recorded on the City's books as an asset. At June 30, 2003, the City held approximately \$76.7 million in performance collateral. Of that amount, \$3,941,372 in the form of certificates of deposit and time deposits are reflected as Cash and Investments in Agency Funds with a corresponding Liability in Deposits Held for Others.

(b) Construction Retainage Escrow Accounts

The City enters into construction contracts with various outside third-party contractors with respect to major capital projects. As the construction progresses, progress payments are made to the contractors. Portions of the payments, retention payments, are paid into an escrow account. While these funds are earned by the contractors, generally 5% to 10% of the contract amount, they are not released out of the escrow account to the contractor until some agreed upon date, usually the completion of the job. These amounts are retained for a variety of reasons; as an incentive to complete the job in a timely manner, or as a fund for the benefit of suppliers and subcontractors. The City may not convert the funds in these escrow accounts for its use unless a breach of contract occurs. At June 30, 2003, the City had made payments into various contract escrow accounts in the amount of approximately \$7.6 million dollars.

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Taxes:				
Property Taxes	\$ 43,724,000	\$ 43,724,000	\$ 42,781,843	\$ (942,157)
Sales Taxes	57,823,200	57,823,200	58,549,177	725,977
Other Taxes	28,561,600	28,561,600	28,427,704	(133,896)
Licenses and Permits	370,900	370,900	240,538	(130,362)
Intergovernmental:				
State Motor Vehicle In-Lieu	25,440,000	25,440,000	25,916,718	476,718
Other State Revenue	837,600	903,200	343,036	(560,164)
Charges for Services:				
General Government Service	17,265,100	17,550,100	19,939,198	2,389,098
Public Safety Service Charges	1,900,900	1,900,900	1,583,087	(317,813)
Fines and Violations	685,700	685,700	680,422	(5,278)
Use of Money and Property	519,800	519,800	680,887	161,087
Miscellaneous	604,900	742,100	903,082	160,982
Transfers from Other Funds	42,025,500	42,025,500	49,304,760	7,279,260
Loan Proceeds	40,000,000	40,000,000	37,419,992	(2,580,008)
Total Available for Appropriations	259,759,200	260,247,000	266,770,444	6,523,444
Charges to Appropriations (outflows):				
General Government:				
Finance Department	16,027,345	16,036,833	12,676,046	3,360,787
Mayor and City Council	4,062,400	4,405,900	3,795,894	610,006
Other General Government	2,418,655	2,884,255	4,169,744	(1,285,489)
Public Protection:				
Police Department	93,444,700	93,157,000	90,769,875	2,387,125
Fire Department	28,146,200	28,239,680	26,960,132	1,279,548
Public Ways & Facilities	11,494,700	11,718,994	11,802,363	(83,369)
Culture and Recreation	18,133,700	18,119,600	18,422,340	(302,740)
Community Development	786,500	789,200	2,080,681	(1,291,481)
Capital Outlay	1,786,300	3,239,848	2,657,956	581,892
Debt Service	41,093,000	41,093,000	38,106,916	2,986,084
Transfers to Other Funds	46,828,100	46,834,500	54,857,965	(8,023,465)
Total Charges to Appropriations	264,221,600	266,518,810	266,299,912	218,898
Excess (Deficit) Resources Over Appropriations	\$ (4,462,400)	\$ (6,271,810)	\$ 470,532	\$ 6,742,342

**Explanation of differences between budgetary inflows and outflows
and GAAP Revenues and Expenditures:**

Sources/inflow of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	\$ 266,770,444
Differences - Budget to GAAP	
The city budgets for taxes, intergovernmental and Charges for Services on the cash basis, rather than on modified accrual basis.	(1,157,419)
Interfund reimbursements are reclassified as transfers in from other funds.	(1,079,289)
Unrealized Gain on Investment	338
Accrued interest on interfund advances is no budgeted as an inflow of resources.	572,906
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(49,304,760)
The proceeds from loans are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(37,419,992)</u>
Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u><u>\$ 178,382,228</u></u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 266,299,912
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather than on the modified accrual basis.	4,319,430
Capital asset purchases funded under capital leases agreements	(2,885,344)
Pension Obligation bond debt payments recognized as transfers out to other funds	(12,367,727)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(54,857,965)
The issuance of interfund loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(256,177)
The repayment of loans are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(38,106,917)</u>
Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u><u>\$ 162,145,212</u></u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - GRANT FUNDS**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Intergovernmental:				
Federal Grants	\$ 16,907,100	\$ 18,889,100	\$ 12,733,919	\$ (6,155,181)
State Grants	11,379,900	16,005,400	5,977,085	(10,028,315)
Charges for Services	15,000	886,600	160,678	(725,922)
Use of Money and Property	180,400	180,400	171,952	(8,448)
Note Proceeds	-	-	-	-
Miscellaneous	1,848,000	1,848,000	3,223,623	1,375,623
Transfers from Other Funds	2,576,500	2,582,900	2,560,209	(22,691)
Total Available for Appropriations	<u>32,906,900</u>	<u>40,392,400</u>	<u>24,827,466</u>	<u>(15,564,934)</u>
Charges to Appropriations (outflows):				
General Government	12,937,700	20,149,869	3,831,610	16,318,259
Community Development	10,602,200	14,656,123	12,509,261	2,146,862
Capital Outlay	7,763,300	5,603,172	4,782,407	820,765
Transfers to Other Funds	3,193,000	3,193,000	2,813,076	379,924
Total Charges to Appropriations	<u>34,496,200</u>	<u>43,602,164</u>	<u>23,936,354</u>	<u>19,665,810</u>
Excess (Deficit) Resources Over Appropriations	\$ <u>(1,589,300)</u>	\$ <u>(3,209,764)</u>	\$ <u>891,112</u>	\$ <u>(35,230,744)</u>

**Explanation of differences between budgetary inflows and outflows
and GAAP Revenues and Expenditures:**

Sources/inflow of Resources:

Actual amounts (budgetary basis) available for appropriation from the Budget to Actual Comparison schedule.	\$ 24,827,466
Differences - Budget to GAAP	
Reclass transfer of HUD cash to Restricted cash with trustee and interest and grant with trustee.	976,532
Interfund reimbursements are reclassified as transfers in from other funds.	35,152
Unrealized loss on HUD Section 108 cash with trustee	(24,508)
Accrued interest on interfund advances is no budgeted as an inflow of resources.	936,806
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,560,209)
The receipt of loan payments are inflows of budgetary resources but are not revenues for financial reporting purposes.	<u>(3,536,666)</u>
Total revenues as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 20,654,573</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total charges to appropriations" from the Budget to Actual Comparison schedule.	\$ 23,936,354
Differences--budget to GAAP:	
The city budgets for expenditures on the cash basis, rather rather than on the modified accrual basis.	306,662
Increase in allowance for doubtful accounts	75,137
Pension Obligation bond debt payments recognized as transfers out to other funds	(1,203,191)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(2,813,076)
The issuance of notes receivable are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(1,338,600)</u>
Total expenditures as reported on the statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds.	<u>\$ 18,963,286</u>

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2003

Budgetary Data

The City adopts annual budgets for all governmental funds on the cash basis of accounting plus encumbrances. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures are used in establishing the budgetary data reflected in the financial statements.

Original Budget

- (1) Prior to June 1, the Mayor submits to the City Council a proposed detailed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comment on the proposed annual budget. The Mayor and his staff analyze, review and refine the budget submittals.
- (3) Prior to July 1, the budget is legally enacted through adoption of a resolution by the City Council.

Final Budget

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
- (2) The City Manager is authorized to transfer funds already appropriated within a department's budget within a fund. However, any revisions that alter the total appropriation of a department within a fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.
- (3) The City adopts an annual budget for the General Fund, Special Revenue Funds, Debt Service Funds (except Financing Authorities & Corporations, and City Debt Service), and Capital Projects Funds (except Financing Authorities & Corporations). These budgets are adopted on the cash basis. (See Note 2) for a reconciliation of the cash basis budget to the modified accrual basis presentation of operating income.) Budgeted amounts are reported as amended. During the year, several supplementary appropriations were necessary but were not material in relation to the original appropriations. Supplemental appropriations during the year must be approved by the City Council.

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than the GAAP basis. The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

(a) Basis Differences

Certain accruals for estimated claims payable are excluded from the Budget basis financial statement because such amounts are budgeted on a cash basis.

(b) Timing Differences

Timing differences represent transactions that are accounted for in different periods for Budget basis and

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2003

GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. This primarily relates to the accounting for property tax revenues.

The fund balances as of June 30, 2003, on a Budget basis have been reconciled to the fund balances on a GAAP basis.

Schedule of Funding Progress

EMPLOYEES RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2000	771	471	163.5%	(299)	85	(353.5%)
2001	782	501	156.2%	(281)	90	(311.9%)
2002	749	530	141.3%	(219)	93	(235.2%)

FIRE AND POLICE RETIREMENT SYSTEM

Schedule of Funding Progress
(Dollars in Millions)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) / (2)	(Prefunded)/ Unfunded AAL (2) - (1)	Annual Covered Payroll	(Prefunded)/ Unfunded AAL Percentage of Covered Payroll (4) / (5)
2000	852	523	163.1%	(330)	58	(568.4%)
2001	859	562	152.8%	(297)	61	(487.0%)
2002	815	591	137.9%	(224)	65	(344.7%)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Employee	Fire & Police
Valuation Date	6/30/02	6/30/02
Actuarial Cost Method	Projected Unit Credit	Entry Age Normal Cost
Amortization Method	Level Percentage Open	Level Percentage Open
Remaining Amortization Period	15 Years	15 Years
Asset Valuation Method	3-year Smoothed Market	3-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	8.25%	8.25%
Projected Salary Increases	5.87%	6.1% Avg.
Includes Inflation At	4.50%	4.5%
Cost-of-Living Adjustments	CPI	1-5%** increase maximum of 5%

** 1st Tier
Rank-Average Option: Increases are determined by the increases attached to ranks of active safety employees.
3-Year Average Option: Cost-of-living is based on the percentage of change in the weighted mean average monthly compensation attached to all ranks of members, as compared with the prior fiscal year and limited to a maximum of 5% per year.

** 2nd Tier - CPI increase, maximum of 3%.

City of Fresno, California
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2003

Administrative Expenses

Section 2-1824, Section 2-1719 of the Fresno Municipal Code provides that all administrative costs of the system shall be a charge against the assets of the Employees Retirement System and Fire and Police Retirement System, respectively.

Post Retirement Supplement Benefit Program

The Post-Retirement Supplemental Benefit ("PRSB") Program was created to provide assistance to eligible retirees to pay for various post-retirement expenses which in most cases consists of premiums for health insurance or medications. The Retirement Board will annually review the actuarial valuation report and declare an actuarial surplus, if available, in accordance with the procedures in Municipal Code Sections 2-1853, 2-1745.

If an actuarial surplus is declared, the surplus is allocated into two components. One component composed of two-thirds of the declared surplus shall be used to reduce or eliminate the City's pension contributions. Any unused portion shall be reserved in the City Surplus Reserve and draws upon in subsequent years if needed. The remaining one-third component shall be distributed among eligible post-retirement supplemental benefit recipients in accordance with procedures in Municipal Code Sections 2-1853(f)(4) and 2-1745(f)(4). Any unused portion shall be reserved in the PRSB Reserve and drawn upon in subsequent years if needed. (The Government Accounting Standards Board is currently working on an exposure draft to address the accounting and disclosure treatment for these types of plans.)

For the fiscal years ended June 30, 2003 and 2002 respectively, the System distributed PRSB benefits for eligible retirees in Employees Retirement Fund in the amount of \$5,631,660 and \$6,545,190, and \$5,165,171 and \$5,813,466 in the Fire and Police Retirement Fund. The City offset required pension contributions for the Employees Fund in the amount of \$11,462,692 for 2003 and \$10,650,521 for 2002. The City offset required pension contributions for the Fire and Police Fund in the amount of \$12,479,125 for 2003 and \$12,089,482 for 2002. As of June 30, 2003 and 2002 respectively, the City Surplus Reserve balance was \$13,689,406 and \$16,459,017 for the Employees Retirement Fund and the PRSB Reserve balance was approximately \$2,101,184 and \$5,042,563 respectively. The PRSB Reserve balance is fully committed for PRSB distribution for the months of July through December 2003 thus depleting the entire PRSB Reserve balance. With respect to Fire and Police Fund, the City Surplus Reserve balance was \$8,051,766 and \$11,079,459 and the PSRB Reserve balance was \$8,419,701 and \$10,122,860 as of June 30, 2003 and 2002 respectively.

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR GOVERNMENTAL FUNDS

CITY OF FRESNO, CALIFORNIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2003

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Service	City Debt	Financing Authorities and Corporations
Assets:					
Cash and Investments	\$ -	\$ 1,976,992	\$ 2,445,178	\$ 873	\$ -
Receivables, Net	-	25,608	32,392	2,933	4,213
Intergovernmental Receivable	3,746,422	405,324		-	-
Due From Other Funds	5,476	11,959	1,531,173	-	-
Advances to Other Funds	3,337,578	200,540	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Cash	981,340	-	-	96,785	4,289,208
Loans, Notes, Leases, Receivable	-	-	-	-	-
Total Assets	<u>8,070,816</u>	<u>2,620,423</u>	<u>4,008,743</u>	<u>100,591</u>	<u>4,293,421</u>
Liabilities:					
Accrued Liabilities	2,360,258	355,872	62,978	641	-
Unearned Revenue	-	-	-	-	-
Due to Other Funds	2,767,400	-	-	-	2,491
Advances From Other Funds	980,000	-	-	-	-
Deposits	-	-	71,147	-	-
Total Liabilities	<u>6,107,658</u>	<u>355,872</u>	<u>134,125</u>	<u>641</u>	<u>2,491</u>
Fund Balances:					
Reserved for:					
Encumbrances	3,081,037	447,911	1,021,580	-	-
Non-current Receivables	3,337,578	200,540	-	-	-
Property Held for Resale	-	-	-	-	-
Restricted Assets	981,340	-	-	96,785	4,289,208
Unreserved, Undesignated (Deficit)	<u>(5,436,797)</u>	<u>1,616,100</u>	<u>2,853,038</u>	<u>3,165</u>	<u>1,722</u>
Total Fund Balances	<u>1,963,158</u>	<u>2,264,551</u>	<u>3,874,618</u>	<u>99,950</u>	<u>4,290,930</u>
Total Liabilities and Fund Balances	<u>\$ 8,070,816</u>	<u>\$ 2,620,423</u>	<u>\$ 4,008,743</u>	<u>\$ 100,591</u>	<u>\$ 4,293,421</u>

Capital Project					Total Nonmajor Governmental Funds
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments		
\$ -	\$ 10,827,104	\$ 1,083,583	\$ 3,015,308	\$	19,349,038
-	108,558	522,647	25,219		721,570
1,591,064	-	3,000,000	19,769		8,762,579
2,608	1,978,580	435,524	-		3,965,320
14,125,456	-	980,000	-		18,643,574
-	-	24,926,078	-		24,926,078
-	-	-	-		5,367,333
700,000	-	4,756,722	-		5,456,722
<u>16,419,128</u>	<u>12,914,242</u>	<u>35,704,554</u>	<u>3,060,296</u>		<u>87,192,214</u>
589,053	93,958	42,580	135,090		3,640,430
700,000	-	-	-		700,000
9,531,173	-	928,604	-		13,229,668
20,095	-	-	-		1,000,095
-	10,931	20,209	534		102,821
<u>10,840,321</u>	<u>104,889</u>	<u>991,393</u>	<u>135,624</u>		<u>18,673,014</u>
2,601,183	250,925	10,097,122	19,665		17,519,423
14,125,456	-	5,566,584	-		23,230,158
-	-	24,926,078	-		24,926,078
-	-	-	-		5,367,333
<u>(11,147,832)</u>	<u>12,558,428</u>	<u>(5,876,623)</u>	<u>2,905,007</u>		<u>(2,523,792)</u>
<u>5,578,807</u>	<u>12,809,353</u>	<u>34,713,161</u>	<u>2,924,672</u>		<u>68,519,200</u>
\$ <u>16,419,128</u>	\$ <u>12,914,242</u>	\$ <u>35,704,554</u>	\$ <u>3,060,296</u>	\$	<u>87,192,214</u>

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2003

	Special Revenue			Debt Service	
	Special Gas Tax	Measure C	Community Services	City Debt	Financing Authorities & Corporations
Revenues					
Taxes	\$ 7,800,782	\$ 5,265,028	\$ -	\$ -	\$ -
Intergovernmental	7,385,880	-	1,556,539	-	-
Charges for Services	-	-	1,624,695	-	-
Use of Money and Property	156,118	341,326	88,499	19,404	225,944
Contributed from Property Owners	-	-	-	-	-
Miscellaneous	95,191	-	285,369	-	-
Total Revenues	<u>15,437,971</u>	<u>5,606,354</u>	<u>3,555,102</u>	<u>19,404</u>	<u>225,944</u>
Expenditures					
Current:					
General Government	19	-	250,496	59,513	64,971
Public Ways and Facilities	18,193,357	-	-	-	-
Community Development	-	-	1,358,451	-	-
Capital Outlay	-	6,249,121	418,526	-	-
Debt Services:					
Principal	520,000	-	-	4,205,000	1,910,000
Interest	526,772	-	-	13,398,105	2,145,332
Total Expenditures	<u>19,240,148</u>	<u>6,249,121</u>	<u>2,027,473</u>	<u>17,662,618</u>	<u>4,120,303</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,802,177)</u>	<u>(642,767)</u>	<u>1,527,629</u>	<u>(17,643,214)</u>	<u>(3,894,359)</u>
Other Financing Sources (Uses)					
Transfers In	60,927	56,896	475	17,605,400	3,842,370
Transfers Out	(292,619)	(1,688,153)	(150,000)	-	-
Sale of Property	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(231,692)</u>	<u>(1,631,257)</u>	<u>(149,525)</u>	<u>17,605,400</u>	<u>3,842,370</u>
Net Change in Fund Balances	<u>(4,033,869)</u>	<u>(2,274,024)</u>	<u>1,378,104</u>	<u>(37,814)</u>	<u>(51,989)</u>
Fund Balances - Beginning	<u>5,997,027</u>	<u>4,538,575</u>	<u>2,496,514</u>	<u>137,764</u>	<u>4,342,919</u>
Fund Balances - Ending	<u>\$ 1,963,158</u>	<u>\$ 2,264,551</u>	<u>\$ 3,874,618</u>	<u>\$ 99,950</u>	<u>\$ 4,290,930</u>

Capital Projects				
City Combined	UGM Impact Fees	Redevelopment Agency	Special Assessments	Total NonMajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 13,065,810
2,199,217	-	3,514,049	-	14,655,685
-	2,350,547	-	-	3,975,242
321,102	296,847	576,590	58,562	2,084,392
-	-	-	1,625,437	1,625,437
-	6,297	98,145	1,148,723	1,633,725
<u>2,520,319</u>	<u>2,653,691</u>	<u>4,188,784</u>	<u>2,832,722</u>	<u>37,040,291</u>
-	-	-	-	374,999
-	-	-	-	18,193,357
-	-	-	-	1,358,451
5,070,754	1,322,913	5,743,662	1,840,957	20,645,933
-	-	77,659	-	6,712,659
-	-	239,374	-	16,309,583
<u>5,070,754</u>	<u>1,322,913</u>	<u>6,060,695</u>	<u>1,840,957</u>	<u>63,594,982</u>
<u>(2,550,435)</u>	<u>1,330,778</u>	<u>(1,871,911)</u>	<u>991,765</u>	<u>(26,554,691)</u>
37,816	-	10,745,054	9,154	32,358,092
-	(77,842)	(1,079,289)	-	(3,287,903)
-	-	(845,377)	-	(845,377)
<u>37,816</u>	<u>(77,842)</u>	<u>8,820,388</u>	<u>9,154</u>	<u>28,224,812</u>
(2,512,619)	1,252,936	6,948,477	1,000,919	1,670,121
<u>8,091,426</u>	<u>11,556,417</u>	<u>27,764,684</u>	<u>1,923,753</u>	<u>66,849,079</u>
\$ <u><u>5,578,807</u></u>	\$ <u><u>12,809,353</u></u>	\$ <u><u>34,713,161</u></u>	\$ <u><u>2,924,672</u></u>	\$ <u><u>68,519,200</u></u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - SPECIAL GAS TAX**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts	Final Budget	To GAAP	Amounts
			Budgetary	Positive	Reconciliation	GAAP
			Basis	(Negative)		Basis
Resources (inflows):						
Taxes	\$ 8,071,300	\$ 8,107,100	\$ 7,800,782	\$ (306,318)	\$ -	\$ 7,800,782
Intergovernmental	25,083,000	26,421,900	11,708,733	(14,713,167)	(4,322,853)	7,385,880
Use of Money and Property	69,000	69,000	(79,249)	(148,249)	235,367	156,118
Miscellaneous	(967,800)	812,200	1,002,427	190,227	(907,236)	95,191
Other Financing Sources:						
Transfers from Other Funds	-	-	60,927	60,927	-	60,927
Total Available						
for Appropriations	<u>32,255,500</u>	<u>35,410,200</u>	<u>20,493,620</u>	<u>(14,916,580)</u>	<u>(4,994,722)</u>	<u>15,498,898</u>
Charges to Appropriations (outflows):						
General Government	-	539,800	172,120	367,680	172,101	19
Public Ways and Facilities	32,118,700	40,092,697	17,075,905	23,016,792	(1,117,452)	18,193,357
Debt Service				-		
Principal	-	-	-	-	(520,000)	520,000
Interest	-	-	-	-	(526,772)	526,772
Other Financing Uses:				-		
Transfers to Other Funds	<u>1,301,300</u>	<u>1,301,300</u>	<u>1,169,561</u>	<u>131,739</u>	<u>876,942</u>	<u>292,619</u>
Total Charges						
to Appropriations	<u>33,420,000</u>	<u>41,933,797</u>	<u>18,417,586</u>	<u>23,516,211</u>	<u>(1,115,181)</u>	<u>19,532,767</u>
Excess (Deficit) Resources						
Over Appropriations	<u>\$ (1,164,500)</u>	<u>\$ (6,523,597)</u>	<u>\$ 2,076,034</u>	<u>\$ 8,599,631</u>	<u>\$ (6,109,903)</u>	<u>\$ (4,033,869)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - MEASURE C**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Taxes	\$ 3,347,400	\$ 3,347,400	\$ 4,133,559	\$ 786,159	\$ 1,131,469	\$ 5,265,028
Intergovernmental	29,300	29,300	10,940	(18,360)	(10,940)	-
Use of Money and Property	50,100	50,100	82,678	32,578	258,648	341,326
Miscellaneous	-	-	70,485	70,485	(70,485)	-
Other Financing Sources:						
Transfers from Other Funds	-	-	56,896	56,896	-	56,896
Total Available For Appropriations	<u>3,426,800</u>	<u>3,426,800</u>	<u>4,354,558</u>	<u>927,758</u>	<u>1,308,692</u>	<u>5,663,250</u>
Charges to Appropriations (outflows):						
General Government	-	24,800	17,756	7,044	17,756	-
Capital Outlay -				-		
Public Ways and Facilities	4,850,500	6,808,058	5,310,700	1,497,358	(938,421)	6,249,121
Other Financing Uses:				-		
Transfers to Other Funds	-	-	-	-	(1,688,153)	1,688,153
Total Charges to Appropriations	<u>4,850,500</u>	<u>6,832,858</u>	<u>5,328,456</u>	<u>1,504,402</u>	<u>(2,608,818)</u>	<u>7,937,274</u>
Excess (Deficit) Resources Over Appropriations	<u>\$ (1,423,700)</u>	<u>\$ (3,406,058)</u>	<u>\$ (973,898)</u>	<u>\$ 2,432,160</u>	<u>\$ (1,300,126)</u>	<u>\$ (2,274,024)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - COMMUNITY SERVICES FUND**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Intergovernmental	\$ 14,667,800	\$ 14,720,300	\$ 1,504,361	\$ (13,215,939)	\$ 52,178	\$ 1,556,539
Charges for Services	293,300	440,000	388,607	(51,393)	1,236,088	1,624,695
Use of Money and Property	41,500	41,500	88,499	46,999	-	88,499
Miscellaneous	445,600	456,800	1,624,840	1,168,040	(1,339,471)	285,369
Other Financing Sources:						
Transfers from Other Funds	-	-	154,366	154,366	(153,891)	475
Total Available for Appropriations	15,448,200	15,658,600	3,760,673	(11,897,927)	(205,096)	3,555,577
Charges to Appropriations (outflows):						
General Government	602,300	602,300	236,843	365,457	(13,653)	250,496
Public Protection	1,299,900	1,417,950	579,200	838,750	579,200	-
Capital Outlay -				-		
Public Ways and Facilities	14,268,200	14,959,187	702,497	14,256,690	283,971	418,526
Community Development	-	-	-	-	(1,358,451)	1,358,451
Culture and Recreation	420,200	431,000	161,500	269,500	161,500	-
Other Financing Uses:				-		
Transfers to Other Funds	150,000	150,000	303,891	(153,891)	153,891	150,000
Total Charges to Appropriations	16,740,600	17,560,437	1,983,931	15,576,506	(193,542)	2,177,473
Excess (Deficit) Resources						
Over Appropriations	\$ (1,292,400)	\$ (1,901,837)	\$ 1,776,742	\$ 3,678,579	\$ (398,638)	\$ 1,378,104

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - CITY COMBINED**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance with	Budget	Actual
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)	To GAAP Reconciliation	Amounts GAAP Basis
Resources (inflows):						
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 1,175,994	\$ 175,994	\$ 1,023,223	\$ 2,199,217
Use of Money and Property	-	-	(171,239)	(171,239)	492,341	321,102
Miscellaneous	-	1,800,000	176,596	(1,623,404)	(176,596)	-
Other Financing Sources:						
Transfers from Other Funds	-	-	-	-	37,816	37,816
Bond Proceeds	-	4,895,000	351,000	(4,544,000)	(351,000)	-
Total Available for Appropriations	<u>1,000,000</u>	<u>7,695,000</u>	<u>1,532,351</u>	<u>(6,162,649)</u>	<u>1,025,784</u>	<u>2,558,135</u>
Charges to Appropriations (outflows):						
General Government	-	38,200	25,436	12,764	25,436	-
Public Protection	-	1,138,605	-	1,138,605	-	-
Capital Outlay -						
Public Ways and Facilities	3,369,900	10,544,890	3,289,285	7,255,605	(1,781,469)	5,070,754
Culture and Recreation	40,000	40,000	28,747	11,253	28,747	-
Total Charges to Appropriations	<u>3,409,900</u>	<u>11,761,695</u>	<u>3,343,468</u>	<u>8,418,227</u>	<u>(1,727,286)</u>	<u>5,070,754</u>
Excess (Deficit) Resources Over Appropriations	<u>\$ (2,409,900)</u>	<u>\$ (4,066,695)</u>	<u>\$ (1,811,117)</u>	<u>\$ 2,255,578</u>	<u>\$ (701,502)</u>	<u>\$ (2,512,619)</u>

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) - URBAN GROWTH MANAGEMENT**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Charges for Services	\$ 1,995,200	\$ 2,389,400	\$ 2,249,439	\$ (139,961)	\$ 101,108	\$ 2,350,547
Use of Money and Property	30,000	30,000	296,847	266,847	-	296,847
Miscellaneous	1,319,300	1,495,000	109,497	(1,385,503)	(103,200)	6,297
Other Financing Sources:						
Transfers from Other Funds	216,600	591,600	625,744	34,144	(625,744)	-
Total Available for Appropriations	3,561,100	4,506,000	3,281,527	(1,224,473)	(627,836)	2,653,691
Charges to Appropriations (outflows):						
Public Protection	2,480,000	2,480,000	194,217	2,285,783	194,217	-
Public Ways and Facilities	762,100	1,810,177	1,095,390	714,787	(227,523)	1,322,913
Culture and Recreation	1,303,700	1,303,700	20,909	1,282,791	20,909	-
Other Financing Uses:				-		
Transfers to Other Funds	-	-	-	-	(77,842)	77,842
Total Charges to Appropriations	4,545,800	5,593,877	1,310,516	4,283,361	(90,239)	1,400,755
Excess (Deficit) Resources Over Appropriations	\$ (984,700)	\$ (1,087,877)	\$ 1,971,011	\$ 3,058,888	\$ (718,075)	\$ 1,252,936

CITY OF FRESNO, CALIFORNIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL ASSESSMENT**

YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Budget To GAAP Reconciliation	Actual Amounts GAAP Basis
	Original	Final				
Resources (inflows):						
Use of Money and Property	11,000	11,000	58,562	47,562	-	58,562
Contributed from Property Owners	-	2,100,000	1,625,437	(474,563)	-	1,625,437
Miscellaneous	975,000	2,515,700	1,144,435	(1,371,265)	4,288	1,148,723
Other Financing Sources:						
Transfers from Other Funds	-	-	9,154	9,154	-	9,154
Total Available for Appropriations	<u>986,000</u>	<u>4,626,700</u>	<u>2,837,588</u>	<u>(1,789,112)</u>	<u>4,288</u>	<u>2,841,876</u>
Charges to Appropriations (outflows):						
Public Ways & Facilities	969,900	3,216,721	620,393	2,596,328	620,393	-
Capital Outlay -				-		
Culture and Recreation	<u>836,900</u>	<u>975,400</u>	<u>998,239</u>	<u>(22,839)</u>	<u>(842,718)</u>	<u>1,840,957</u>
Total Charges to Appropriations	<u>1,806,800</u>	<u>4,192,121</u>	<u>1,618,632</u>	<u>2,573,489</u>	<u>(222,325)</u>	<u>1,840,957</u>
Excess (Deficit) Resources Over Appropriations	<u>\$ (820,800)</u>	<u>\$ 434,579</u>	<u>\$ 1,218,956</u>	<u>\$ 784,377</u>	<u>\$ (218,037)</u>	<u>\$ 1,000,919</u>

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

NONMAJOR ENTERPRISE FUNDS

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2003

	Business - Type Activities - Enterprise Funds				Total Nonmajor Enterprise Funds
	Community Sanitation	Parking	Parks And Recreation	Development Services	
Assets					
Current Assets:					
Cash and Investments	\$ 1,127,916	\$ -	\$ -	\$ 3,870,882	\$ 4,998,798
Interest Receivable	4,926	12,313	-	23,381	40,620
Accounts Receivable, Net	805,484	-	15,269	-	820,753
Due from Other Funds	723	-	-	2,491	3,214
Total Current Assets	1,939,049	12,313	15,269	3,896,754	5,863,385
Noncurrent Assets:					
Restricted: Cash and Investments	-	1,220,264	-	-	1,220,264
Advances to Other Funds	-	207,758	-	-	207,758
Capital Assets:					
Land	-	2,208,546	11,508	2,315,825	4,535,879
Buildings, System and Improvements	-	11,273,722	9,695,495	-	20,969,217
Machinery & Equipment	250,430	96,003	145,243	197,202	688,878
Infrastructure	-	-	-	-	-
Construction in Progress	-	138,989	1,545,669	-	1,684,658
Less Accumulated Depreciation	(242,589)	(9,540,348)	(6,614,289)	(180,184)	(16,577,410)
Total Capital Assets, Net	7,841	4,176,912	4,783,626	2,332,843	11,301,222
Total Noncurrent Assets	7,841	5,604,934	4,783,626	2,332,843	12,729,244
Total Assets	1,946,890	5,617,247	4,798,895	6,229,597	18,592,629
Liabilities					
Current Liabilities:					
Account Payable	533,296	449,907	181,879	246,153	1,411,235
Accrued Compensated Absences	60,293	5,714	8,330	67,038	141,375
Unearned Revenue	685,929	-	-	-	685,929
Due to Other Funds	-	-	1,279,249	-	1,279,249
Capital Lease Obligations	-	-	-	-	-
Total Current Liabilities	1,279,518	455,621	1,469,458	313,191	3,517,788
Noncurrent Liabilities:					
Accrued Compensated Absences	274,088	30,355	57,550	566,757	928,750
Advance From Other Funds	161,574	1,743,500	248,468	-	2,153,542
Deposits Held for Others	-	-	-	-	-
Total Noncurrent Liabilities	435,662	1,773,855	306,018	566,757	3,082,292
Total Liabilities	1,715,180	2,229,476	1,775,476	879,948	6,600,080
Net Assets					
Invested in Capital Assets, Net of Related Debt	7,841	4,176,912	4,783,626	2,332,843	11,301,222
Unrestricted (Deficit)	223,869	(789,141)	(1,760,207)	3,016,806	691,327
Total Net Assets	\$ 231,710	\$ 3,387,771	\$ 3,023,419	\$ 5,349,649	\$ 11,992,549

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2003

	Business - Type Activities - Enterprise Funds				
	Community Sanitation	Parking	Parks And Recreation	Development Services	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for Services	\$ 9,292,676	\$ 4,764,735	\$ 1,803,938	\$ 9,959,909	\$ 25,821,258
Operating Expenses:					
Cost of Services	4,887,562	1,391,659	1,325,799	5,699,235	13,304,255
Administration	5,179,547	3,128,435	503,718	2,385,151	11,196,851
Depreciation	3,611	252,754	363,338	6,719	626,422
Total Operating Expenses	10,070,720	4,772,848	2,192,855	8,091,105	25,127,528
Operating Income	(778,044)	(8,113)	(388,917)	1,868,804	693,730
Nonoperating Revenues (Expenses):					
Interest Income	17,871	275,461	-	78,684	372,016
Interest Expense	-	-	(39,826)	-	(39,826)
Total Nonoperating Revenues (Expenses)	17,871	275,461	(39,826)	78,684	332,190
Income (Loss) Before Contributions and Transfers	(760,173)	267,348	(428,743)	1,947,488	1,025,920
Transfers In	178,644	6,056	2,570	282,542	469,812
Transfers Out	(256,554)	(771,913)	(25,646)	(807,480)	(1,861,593)
Change in Net Assets	(838,083)	(498,509)	(451,819)	1,422,550	(365,861)
Total Net Assets - Beginning	1,069,793	3,886,280	3,475,238	3,927,099	12,358,410
Total Net Assets - Ending	\$ 231,710	\$ 3,387,771	\$ 3,023,419	\$ 5,349,649	\$ 11,992,549

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOW
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2003

	Business-Type Activities - NonMajor Enterprise Funds	
	Community Sanitation	Parking
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 8,671,456	\$ 4,789,151
Cash Received from Interfund Services Provided	857,812	13,030
Cash Payment to Suppliers for Services	(1,734,956)	(3,286,249)
Cash Paid for Interfund Services Used	(3,526,553)	(666,921)
Cash Payments to Employees for Services	(4,395,140)	(825,565)
Net Cash Provided by (Used for) Operating Activities	(127,381)	23,446
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest payments on capital debt	-	-
Principal payment on capital lease obligation	-	-
Proceeds from sale of capital assets	(4,943)	-
Acquisition and construction of capital assets	-	(134,436)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(4,943)	(134,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers In	178,644	6,056
Transfers Out	(256,554)	(771,913)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(77,910)	(765,857)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest and dividends on investments	29,956	274,239
Net cash provided (used) by investing activities	29,956	274,239
Net increase (decrease) in cash and cash equivalents	(180,278)	(602,608)
Cash and cash equivalents, beginning of year	1,308,194	1,822,872
Cash and cash equivalents, end of year	\$ 1,127,916	\$ 1,220,264

Business-Type Activities - NonMajor Enterprise Funds		
Parks And Recreation	Development Services	Total
\$ 1,803,179	\$ 9,813,792	\$ 25,077,578
45	311,251	1,182,138
(598,267)	(67,737)	(5,687,209)
(271,538)	(2,256,676)	(6,721,688)
(734,039)	(5,591,783)	(11,546,527)
199,380	2,208,847	2,304,292
(10,108)	-	(10,108)
(55,255)	-	(55,255)
-	-	(4,943)
(110,941)	-	(245,377)
(176,304)	-	(315,683)
2,570	282,542	469,812
(25,646)	(807,480)	(1,861,593)
(23,076)	(524,938)	(1,391,781)
-	77,011	381,206
-	77,011	381,206
-	1,760,920	978,034
-	2,109,962	5,241,028
\$ -	\$ 3,870,882	\$ 6,219,062

(Continued)

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

YEAR ENDED JUNE 30, 2003 (Continued)

	<u>Business-Type Activities - NonMajor Enterprise Funds</u>				<u>Total</u>
	<u>Community Sanitation</u>	<u>Parking</u>	<u>Parks And Recreation</u>	<u>Development Services</u>	
Reconciliation of operating income (loss) to cash provided (used) by operating activities:					
Operating income (loss)	\$ (778,044)	\$ (8,113)	\$ (388,917)	\$ 1,868,804	\$ 693,730
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation expense	3,611	252,754	363,338	6,719	626,422
Decrease (Increase) in accounts receivable	61,962	45,834	(631)	605	107,770
Decrease (Increase) in due from other funds	167,020	-	-	164,529	331,549
Decrease (increase) in due from other governments	(723)	-	-	-	(723)
Decrease (increase) In advances to other funds	-	(8,388)	-	-	(8,388)
(Decrease) increase in accrued liabilities	410,460	(258,641)	(10,634)	168,190	309,375
(Decrease) increase in due to other funds	-	-	264,067	-	264,067
(Decrease) increase in advances from other funds	-	-	(27,760)	-	(27,760)
(Decrease) increase in unearned revenue	8,333	-	-	-	8,333
(Decrease) increase in restricted deposits'	-	-	(83)	-	(83)
Net Cash Provided by (Used for) Operating Activities	\$ <u>(127,381)</u>	\$ <u>23,446</u>	\$ <u>199,380</u>	\$ <u>2,208,847</u>	\$ <u>2,304,292</u>
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	3,711	-	-	12,735	16,446

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTERNAL SERVICE FUNDS

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2003

	General Services	Risk Management	Billing and Collection	Totals
Assets				
Current Assets:				
Cash and Investments	\$ 23,603,175	\$ 7,136,026	\$ 2,133,730	\$ 32,872,931
Interest Receivable	226,161	82,799	87,235	396,195
Accounts Receivable	16,264	-	-	16,264
Inventories	434,038	-	-	434,038
Due from Other Funds	4,959,610	1,279,249	-	6,238,859
Total Current Assets	29,239,248	8,498,074	2,220,965	39,958,287
Noncurrent Assets:				
Restricted Cash and Investments	-	-	2,469,399	2,469,399
Other Assets:				
Other Receivables	-	-	-	-
Other Assets	-	1,207,720	-	1,207,720
Advances to Other Funds	828,093	1,271,733	-	2,099,826
Total Other Assets	828,093	2,479,453	-	3,307,546
Capital Assets:				
Land	56,688	-	-	56,688
Buildings, System and Improvements	14,717,450	-	50,000	14,767,450
Machinery & Equipment	93,907,807	21,299	579,704	94,508,810
Construction in Progress	478,085	-	-	478,085
Accumulated Depreciation	(79,204,366)	(21,224)	(443,851)	(79,669,441)
Total Capital Assets	29,955,664	75	185,853	30,141,592
Total Noncurrent Assets	30,783,757	2,479,528	2,655,252	35,918,537
Total Assets	60,023,005	10,977,602	4,876,217	75,876,824
Liabilities				
Current Liabilities				
Accounts Payable	2,619,778	671,028	879,238	4,170,044
Compensated Absences	236,062	23,848	33,635	293,545
Liability for Self Insurance	-	16,807,701	-	16,807,701
Due to Other Funds	27,899	-	-	27,899
Bonds Payable	-	-	-	-
Capital Lease Obligations	3,046,688	-	35,771	3,082,459
Total Current Liabilities	5,930,427	17,502,577	948,644	24,381,648
Noncurrent Liabilities:				
Compensated Absences	1,779,395	17,040	281,983	2,078,418
Capital Lease Obligations	2,166,137	-	18,344	2,184,481
Liability for Self-Insurance	-	36,488,831	-	36,488,831
Advances From Other Funds	2,594,650	-	43,659	2,638,309
Restricted Deposits	-	-	1,601,731	1,601,731
Total Noncurrent Liabilities	6,540,182	36,505,871	1,945,717	44,991,770
Total Liabilities	12,470,609	54,008,448	2,894,361	69,373,418
Net Assets				
Invested in Capital Assets Net of Related Debt	24,742,660	75	131,738	24,874,473
Restricted for Debt Service	-	-	-	-
Unrestricted (Deficit)	22,809,736	(43,030,921)	1,850,118	(18,371,067)
Total Net Assets (Deficit)	\$ 47,552,396	\$ (43,030,846)	\$ 1,981,856	\$ 6,503,406

CITY OF FRESNO, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2003

	General Services	Risk Management	Billing and Collection	Totals
Operating Revenues:				
Charges for Services	\$ 59,573,086	\$ 37,529,091	\$ 6,032,546	\$ 103,134,723
Operating Expenses:				
Cost of Services	32,459,376	36,397,234	3,296,406	72,153,016
Administration	12,675,545	4,677,686	1,822,306	19,175,537
Depreciation	17,374,144	559	50,032	17,424,735
Total Operating Expenses	62,509,065	41,075,479	5,168,744	108,753,288
Operating Income (Loss)	(2,935,979)	(3,546,388)	863,802	(5,618,565)
Nonoperating Revenues (Expenses):				
Interest Income	694,417	208,350	240,325	1,143,092
Interest Expense	(301,271)	-	(2,732)	(304,003)
Gain (Loss) on Sale of Capital Assets	115,102	-	-	115,102
Total Nonoperating Revenues	508,248	208,350	237,593	954,191
Income (Loss) Before Contributions and Transfers	(2,427,731)	(3,338,038)	1,101,395	(4,664,374)
Transfer In	506,418	289,659	9,929	806,006
Transfer Out	(4,706,007)	(100,018)	(482,706)	(5,288,731)
Change in Net Assets	(6,627,320)	(3,148,397)	628,618	(9,147,099)
Total Net Assets (Deficit) - Beginning	54,179,716	(39,882,449)	1,353,238	15,650,505
Total Net Assets (Deficit) - Ending	\$ 47,552,396	\$ (43,030,846)	\$ 1,981,856	\$ 6,503,406

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2003

	General Services	Risk Management	Billing and Collection	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customer	\$ 4,514,204	\$ 1,123,398	\$ 1,448,940	\$ 7,086,542
Cash Receipts from Interfund Services Provided	52,085,061	13,261,596	4,838,782	70,185,439
Cash Payment to Suppliers for Services	(23,608,343)	(1,455,870)	-	(25,064,213)
Cash Paid for Interfund Services Used	(1,907,807)	(2,512,859)	(1,525,917)	(5,946,583)
Cash Payments to Employees for Services	(19,433,351)	(429,771)	(3,252,322)	(23,115,444)
Cash Payment for Claims and Refunds	-	(12,396,325)	-	(12,396,325)
Net Cash Provided by (Used for) Operating Activities	11,649,764	(2,409,831)	1,509,483	10,749,416
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Interest payments on capital debt	(347,091)	-	(2,732)	(349,823)
Principal payments on capital debt-bonds	(500,000)	-	-	(500,000)
Principal payments on capital lease obligations	(3,098,334)	-	(34,582)	(3,132,916)
Proceeds from sale of capital assets	139,900	-	-	139,900
Acquisition and construction of capital assets	(3,994,202)	-	-	(3,994,202)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(7,799,727)	-	(37,314)	(7,837,041)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers In	506,418	289,659	9,929	806,006
Transfers Out	(4,706,007)	(100,018)	(482,706)	(5,288,731)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(4,199,589)	189,641	(472,777)	(4,482,725)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on investments	688,793	268,549	221,316	1,178,658
Net cash provided by investing activities	688,793	268,549	221,316	1,178,658
Net increase (decrease) in cash and cash equivalents	339,241	(1,951,641)	1,220,708	(391,692)
Cash and cash equivalents, beginning of year	22,972,008	9,087,667	3,382,421	35,442,096
Cash and cash equivalents, end of year	\$ 23,311,249	\$ 7,136,026	\$ 4,603,129	\$ 35,050,404

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

YEAR ENDED JUNE 30, 2003

	General Services	Risk Management	Billing and Collection	Totals
Reconciliation of operating income (loss) to cash provided by operating activities:				
Operating income (loss)	\$ (2,935,979)	\$ (3,546,388)	\$ 863,803	\$ (5,618,564)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation expense	17,374,144	559	50,032	17,424,735
Decrease (increase) In accounts receivable	19,579	(974,766)	-	(955,187)
Decrease (increase) in prepaids	-	276,543	-	276,543
Decrease (increase) in other receivables	350,045	-	-	350,045
Decrease (increase) in inventory	17,783	-	-	17,783
Decrease (increase) in due from other funds	(3,330,253)	(945,208)	167,020	(4,108,441)
Decrease (increase) in advances to other funds	-	638,617	-	638,617
(Decrease) increase in accrued liabilities	228,522	373,636	340,472	942,630
(Decrease) increase in due to other funds	(60,885)	-	-	(60,885)
(Decrease) increase in restricted deposits	(13,192)	-	88,156	74,964
(Decrease) increase in liability for self-insurance	-	1,767,176	-	1,767,176
Net Cash Provided by (Used for) Operating	\$ 11,649,764	\$ (2,409,831)	\$ 1,509,483	\$ 10,749,416
Noncash investing, capital, and financing activities:				
Borrowing under capital lease	646,402	-	-	646,402
Increase in fair value of investments	77,656	23,478	15,145	116,279

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

FIDUCIARY FUNDS

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST FUNDS**

JUNE 30, 2003

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
Assets			
Cash and Investments	\$ 568,215	\$ 1,453,629	\$ 2,021,844
Receivables:			
Interest Receivable	-	-	-
Accounts Receivable	9,106,261	8,131,031	17,237,292
Securities Lending	93,520,523	83,146,460	176,666,983
Total Receivables	102,626,784	91,277,491	193,904,275
Investments, at fair value:			
Sort Term Investments	29,600,433	26,316,911	55,917,344
Domestic Equity	368,951,104	328,024,025	696,975,129
Domestic Fixed Income	194,228,005	206,709,765	400,937,770
International Equity	106,215,987	60,406,517	166,622,504
Emerging Market Equity	26,099,749	23,204,551	49,304,300
Mortgage	24,801,955	22,050,719	46,852,674
Real Estate	67,199,150	59,897,951	127,097,101
Total Investments	817,096,383	726,610,439	1,543,706,822
Total Assets	920,291,382	819,341,559	1,739,632,941
Liabilities			
Accrued Liabilities	19,995,253	17,146,523	37,141,776
Securities Lending	93,520,523	83,146,460	176,666,983
Unearned Revenue	20,095,796	4,156,873	24,252,669
Total Liabilities	133,611,572	104,449,856	238,061,428
Net Assets			
Held in Trust for Pension and Other Purposes	\$ 786,679,810	\$ 714,891,703	\$ 1,501,571,513

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - TRUST FUNDS**

YEAR ENDED JUNE 30, 2003

	Pension Trust Funds		
	Fire And Police Retirement System	Employee Retirement System	Total
ADDITIONS			
Contributions:			
Plan Members	\$ 4,080,572	\$ 4,482,742	\$ 8,563,314
Total Contributions	4,080,572	4,482,742	8,563,314
Investment Earnings:			
Interest	14,462,857	12,840,525	27,303,382
Dividends	9,467,503	8,406,002	17,873,505
Securities Lending Other Investment Related	1,842,734	1,638,323	3,481,057
Other Investment Related	505,689	339,955	845,644
Net (decrease) in the fair value of Investments	7,904,482	7,090,575	14,995,057
Total Investment Earnings	34,183,265	30,315,380	64,498,645
Less Investment Expense	(4,947,828)	(3,357,651)	(8,305,479)
Less Securities Lending Expense	(1,476,198)	(1,312,446)	(2,788,644)
Net Investment Earnings	27,759,239	25,645,283	53,404,522
Total Additions	31,839,811	30,128,025	61,967,836
DEDUCTIONS			
Benefits	33,736,675	27,963,534	61,700,209
Refunds of Contributions	78,562	1,282,608	1,361,170
Administrative Expense	570,906	529,915	1,100,821
Total Deductions	34,386,143	29,776,057	64,162,200
Change in Net Assets	(2,546,332)	351,968	(2,194,364)
Net Assets - Beginning	789,226,142	714,539,735	1,503,765,877
Net Assets - Ending	\$ 786,679,810	\$ 714,891,703	\$ 1,501,571,513

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

YEAR ENDED JUNE 30, 2003

SPECIAL ASSESSMENT DISTRICT FUNDS

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Assets:				
Cash and Investments	\$ 4,193,905	\$ 5,516,384	\$ 6,099,621	\$ 3,610,668
Cash and Investments Held by Fiscal Agent	3,373,382	-	130	3,373,252
Intergovernmental	102,971	72,602	-	175,573
Interest Receivable	36,910	88,325	103,704	21,531
Total Assets	\$ 7,707,168	\$ 5,677,311	\$ 6,203,455	\$ 7,181,024
Liabilities:				
Accrued Liabilities	\$ 1,900	\$ 62,596	63,618	\$ 878
Prepayment of Special Assessments	57,102	154,778	57,369	154,511
Deposits Held for Others	7,648,166	5,842,336	6,464,867	7,025,635
Total Liabilities	\$ 7,707,168	\$ 6,059,710	\$ 6,585,854	\$ 7,181,024

CITY DEPARTMENTAL AND SPECIAL PURPOSE

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Assets:				
Cash and Investments	\$ 4,504,970	\$ 182,597,274	\$ 179,620,721	\$ 7,481,523
Accounts Receivable	-	-	-	-
Due From Other Funds	167,888	-	154,301	13,587
Advances To Other Funds	1,743,500	-	-	1,743,500
Notes Receivable	1,142	33,999	-	35,141
Interest Receivable	40,495	143,830	151,943	32,382
Total Assets	\$ 6,457,995	\$ 182,775,103	\$ 179,926,965	\$ 9,306,133
Liabilities:				
Accrued Liabilities	\$ 1,936,432	\$ 117,751,061	\$ 119,099,536	\$ 587,957
Due To Other Funds	4,108	-	1,000	3,108
Advances From Other Funds	1,699,777	-	-	1,699,777
Deposits Held for Others	2,817,678	9,989,294	5,791,681	7,015,291
Total Liabilities	\$ 6,457,995	\$ 127,740,355	\$ 124,892,217	\$ 9,306,133

CITY OF FRESNO, CALIFORNIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

YEAR ENDED JUNE 30, 2003

TOTAL AGENCY FUNDS

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Assets:				
Cash and Investments	\$ 8,698,875	\$ 188,113,658	\$ 185,720,342	11,092,191
Cash and Investments Held by Fiscal Agent	3,373,382	-	130	3,373,252
Accounts Receivable	-	-	-	-
Due From Other Funds	167,888	-	154,301	13,587
Intergovernmental	102,971	72,602	-	175,573
Advances To Other Funds	1,743,500	-	-	1,743,500
Notes Receivable	1,142	33,999	-	35,141
Interest Receivable	77,405	232,155	255,647	53,913
Total Assets	\$ 14,165,163	\$ 188,452,414	\$ 186,130,420	16,487,157
Liabilities:				
Accrued Liabilities	\$ 1,938,332	\$ 117,813,657	\$ 119,163,154	588,835
Due To Other Funds	4,108	-	1,000	3,108
Advances From Other Funds	1,699,777	-	-	1,699,777
Prepayment of Special Assessments	57,102	154,778	57,369	154,511
Deposits Held for Others	10,465,844	15,831,630	12,256,548	14,040,926
Total Liabilities	\$ 14,165,163	\$ 133,800,065	\$ 131,478,071	16,487,157

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

CAPITAL ASSETS USED IN THE OPERATIONS OF
GOVERNMENTAL FUNDS

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE**

JUNE 30, 2003

Governmental Funds Capital Assets:	<u>2003</u>	<u>2002</u>
Land	\$ 183,393,431	\$ 183,393,431
Building & Improvements	89,954,177	89,954,239
Machinery & Equipment	16,740,843	13,590,722
Infrastructure	853,378,522	842,701,218
Construction in Progress	<u>93,515,626</u>	<u>64,289,855</u>
Total Governmental Funds Capital Assets	\$ <u>1,236,982,599</u>	\$ <u>1,193,929,465</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 1,125,116,296	\$ 1,119,461,402
Special Revenue Funds	61,846,184	40,695,208
Capital Projects Funds	47,165,119	30,917,855
Redevelopment Agency	<u>2,855,000</u>	<u>2,855,000</u>
Total Governmental Funds Capital Assets	\$ <u>1,236,982,599</u>	\$ <u>1,193,929,465</u>

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY**

JUNE 30, 2003

Function and Activity	Land	Buildings & Improvements	Machinery & Equipment	Infrastructure	Construction in Progress	Total
General Government:						
Council	\$ -	\$ 70,907	\$ 5,154	\$ -	\$ -	\$ 76,061
Manager (including City Hall Building)	-	32,855,011	5,589	-	-	32,860,600
Clerk	-	-	4,828	-	-	4,828
Other	9,263,698	2,877,513	4,968	-	2,212,349	14,358,528
Total General Government	9,263,698	35,803,431	20,539	-	2,212,349	47,300,017
Public Protection:						
Police	111,600	5,180,164	4,956,234	-	-	10,247,998
Fire	554,975	5,188,461	9,552,780	-	-	15,296,216
Total Public Protection	666,575	10,368,625	14,509,014	-	-	25,544,214
Parks & Recreation:	6,936,427	21,305,321	1,097,257	20,733,505	9,753,674	59,826,184
Redevelopment Agency:	-	2,855,000	-	-	-	2,855,000
Public Ways:	166,251,184	19,621,800	1,114,033	832,645,017	81,549,603	1,101,181,637
Community Development:	275,547	-	-	-	-	275,547
Total Government Funds Capital Assets	\$ 183,393,431	\$ 89,954,177	\$ 16,740,843	\$ 853,378,522	\$ 93,515,626	\$ 1,236,982,599

CITY OF FRESNO, CALIFORNIA

**CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

YEAR ENDED JUNE 30, 2003

Function and Activity	Governmental Funds Capital Assets July 1, 2002	Additions	Deductions	Governmental Funds Capital Assets June 30, 2003
General Government:				
Council	\$ 5,153	\$ 70,908	\$ -	\$ 76,061
Manager (including City Hall Building)	32,860,600	-	-	32,860,600
Clerk	4,828	-	-	4,828
Other	12,146,179	2,212,349	-	14,358,528
Total General Government	45,016,760	2,283,257	-	47,300,017
Public Protection:				
Police	8,397,694	1,850,304	-	10,247,998
Fire	14,411,206	885,010	-	15,296,216
Total Public Protection:	22,808,900	2,735,314	-	25,544,214
Parks & Recreation:	50,956,872	8,869,312		59,826,184
Redevelopment Agency:	2,855,000	-	-	2,855,000
Public Ways:	1,072,016,386	31,137,543	1,972,292	1,101,181,637
Community Development:	275,547	-	-	275,547
Total Government Funds Capital Assets	\$ 1,193,929,465	\$ 45,025,426	\$ 1,972,292	\$ 1,236,982,599

CITY OF FRESNO, CALIFORNIA

44TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION

CITY OF FRESNO, CALIFORNIA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION¹
LAST TEN FISCAL YEARS
(Dollars in Thousands)

Fiscal Year	Total Expenditures	General Government	Public Protection	Public Ways & Facilities	Culture & Recreation	Culture & Recreation	Capital Outlay	Debt Service
1994	\$ 129,634	\$ 25,140	\$ 75,003	\$ 13,440	\$ 15,049	\$ -	\$ 647	\$ 355
1995	122,454	28,063	62,757	13,111	15,886	-	1,197	1,440
1996	121,489	28,059	63,392	13,108	15,179	-	132	1,619
1997	124,234	29,586	64,110	12,858	15,352	-	882	1,446
1998	125,368	24,720	66,843	15,207	16,949	-	346	1,303
1999	143,432	26,522	80,468	16,923	17,366	-	654	1,499
2000	136,368	9,747	96,428	10,177	15,322	-	2,184	2,510
2001	146,527	10,793	103,864	10,381	16,030	-	2,240	3,219
2002	154,208	13,053	108,524	11,486	16,616	139	1,960	2,430
2003	162,145	6,585	117,981	11,740	19,118	2,071	2,658	1,992

¹General Fund Only
Source: County of Fresno

GENERAL GOVERNMENT REVENUE BY SOURCE¹
LAST TEN FISCAL YEARS
(Dollars in Thousands)

Fiscal Year	Total Revenues	Property Taxes	Sales & Use Tax	Other Taxes	Franchises & Miscellaneous	Licenses & Permits	Revenue From Use of Money & Property	Inter-Governmental Revenue	Inter-Governmental Grants	Charges For Current Services	Fines, Forfeitures, Penalties & Other Revenue
1994	\$ 128,814	\$ 34,629	\$ 39,743	\$ 12,790	\$ 4,248	\$ 260	\$ 2,502	\$ 16,689	\$ 1,319	\$ 15,526	\$ 1,108
1995	128,284	35,516	40,103	13,162	5,266	264	2,546	14,567	2,042	14,737	81
1996	134,018	36,512	41,274	13,753	4,125	276	2,286	15,491	2,077	18,140	84
1997	134,398	34,353	42,163	14,752	4,484	273	1,954	16,471	2,767	17,110	71
1998	139,856	37,612	44,017	14,826	4,693	372	2,458	17,738	3,503	14,547	90
1999	153,987	38,177	46,590	15,445	5,489	546	2,301	18,742	10,367	16,217	113
2000	155,913	40,061	49,661	16,094	6,177	1,026	1,759	21,867	5,764	12,473	1,031
2001	169,131	40,623	54,825	17,008	5,362	898	2,414	26,979	6,420	13,783	1,019
2002	169,927	41,856	54,504	17,639	7,264	240	1,472	27,821	2,831	15,404	896
2003	178,382	41,925	59,140	23,861	7,176	240	1,315	25,610	104	18,309	702

¹General Fund Only
Source: County of Fresno

CITY OF FRESNO, CALIFORNIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Net Tax Levy*	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collected	Total Tax Collections	Total Collections as Percent of Current Net Levy
1994	\$ 34,820,140	\$ 33,486,629	96.17	\$ 1,142,264	\$ 34,628,893	99.45
1995	35,033,553	34,320,105	97.96	1,195,916	35,516,021	101.37
1996	35,992,258	35,755,234	99.34	756,572	36,511,806	101.44
1997	36,007,301	33,636,184	93.42	716,994	34,353,178	95.41
1998	36,532,509	36,414,189	99.70	1,198,167	37,612,356	102.95
1999	37,923,092	37,511,803	98.91	665,173	38,176,676	100.66
2000	39,248,393	38,641,638	98.45	1,419,692	40,061,330	102.07
2001	40,376,898	39,847,334	98.69	775,322	40,622,656	100.62
2002	41,466,342	40,714,792	98.19	1,141,457	41,856,495	100.94
2003	42,693,647	41,140,273	96.36	784,581	41,924,854	98.20

*Net tax levy includes revenue from supplemental taxes. Fiscal years 1994 to 2003 also include revenue from the public safety pension override.

Source: County of Fresno

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Population	Assessed Valuation	Full Cash Value
1993-94	399,000	\$ 13,074,707,933	\$ 13,074,707,933
1994-95	405,100	13,441,277,654	13,441,277,654
1995-96	400,400	13,809,089,330	13,809,089,330
1996-97	406,900	14,168,708,331	14,168,708,331
1997-98	411,600	14,494,504,433	14,494,504,433
1998-99	415,000	14,777,884,670	14,777,884,670
1999-00	420,600	15,315,251,226	15,315,251,226
2000-01	441,200	16,040,139,117	16,040,139,117
2001-02	441,900	16,907,355,176	16,907,355,176
2002-03	448,500	17,668,086,326	17,668,086,326

Source: County of Fresno

CITY OF FRESNO, CALIFORNIA
PROPERTY TAX RATES—ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Percentage</u>
1993-94	1.083348
1994-95	1.083294
1995-96	1.098030
1996-97	1.124292
1997-98	1.113548
1998-99	1.203778
1999-00	1.135416
2000-01	1.143887
2001-02	1.197359
2002-03	1.210636

Source: County of Fresno Tax Rate Book, 2002-2003

Notes: On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$1.00 per \$100.00 of full cash value.

PRINCIPAL TAXPAYERS

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total County Assessed Value</u>
Pacific Gas & Electric Co.	Utility	\$ 1,046,397,133	.0592
Southern California Edison Co.	Utility	341,017,791	.0193
SBC California	Telecommunications	224,022,938	.0127
Chevron USA, Inc	Petroleum Products	140,039,904	.0079
Macerich Fresno LTD Partnership	Shopping Centers	95,249,754	.0054
Area Energy LLC	Petroleum Products	94,451,946	.0053
Fresno Farming LLC	Farm Products	88,469,673	.0050
Gallo E & J Winery	Winery	82,710,828	.0047
The Gap Inc.	Truck Terminals	79,740,289	.0045
GAP, Inc.	Retail	70,763,897	.0040
Total		\$ 2,262,864,153	.1281

Source: County of Fresno

CITY OF FRESNO, CALIFORNIA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Amount Collected</u>	<u>Amount Billed 1915</u>	<u>Amount Billed 1915 and 1911</u>
1993-94	\$ 5,856,325	\$ 5,098,217	\$ 5,098,217
1994-95	4,290,903	4,528,553	4,528,553
1995-96	3,785,493	4,009,147	4,528,553
1996-97	3,720,682	3,574,740	3,574,740
1997-98	3,667,095	3,977,213	3,977,213
1998-99	3,684,291	3,910,799	3,910,799
1999-00	3,630,390	3,807,233	3,804,233
2000-01	1,917,072	2,108,870	2,108,870
2001-02	3,702,095	3,829,294	3,829,294
2002-03	3,663,185	3,733,538	3,733,538

COMPUTATION OF LEGAL DEBT MARGIN

Assessed Valuation (Tax Year 2002-03) \$ 17,668,086,326

Debt Limit 20% of Assessed Valuation, Pursuant to City Charter \$ 3,533,617,265

Amount of Debt Applicable to Debt Limit:

General Bonded Debt \$ 207,895,000.00

Legal Debt Margin Available \$ 3,325,722,265

Percent of:

Legal Debt Margin Applied 5.88

Legal Debt Margin Available 94.12

100.00%

Source: Tax Rate Book

Source: County of Fresno

CITY OF FRESNO, CALIFORNIA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION
BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value*</u>	<u>General Obligation Bonded Debt</u>	<u>Ratio of Net G.O. Bonded Debt To A/V</u>	<u>Net G.O. Bonded Debt Per Capita</u>
1993-94	399,000	\$ 13,074,707,933	\$ 250,885,000	1.92	629
1994-95	405,100	13,441,277,654	246,810,000	1.84	609
1995-96	400,400	13,809,089,330	241,525,000	1.75	603
1996-97	406,900	14,168,708,331	235,140,000	1.66	578
1997-98	411,600	14,494,504,433	230,590,000	1.59	560
1998-99	415,000	14,777,884,670	221,105,000	1.49	533
1999-00	420,600	15,315,251,226	209,455,000	1.37	498
2000-01	441,200	16,040,139,117	209,000,000	1.30	474
2001-02	441,900	16,907,355,176	211,615,000	1.25	479
2002-03	448,500	17,668,086,326	207,895,000	1.18	464

*County of Fresno, Tax Rate Book
Source: County of Fresno

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS¹

<u>Debt Service Requirements</u>					
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service To General Expenditures</u>
1994	\$ 0	\$ 3,737,629	\$ 3,737,629	\$ 129,634,246	2.88%
1995	4,075,000	17,904,280	21,979,280	122,454,240	17.95%
1996	5,285,000	17,785,396	23,070,396	121,489,068	18.99%
1997	6,385,000	17,497,240	23,882,240	124,234,205	19.22%
1998	7,755,000	17,125,784	24,880,784	125,368,252	19.85%
1999	9,485,000	16,745,251	26,230,351	143,432,296	18.29%
2000	11,650,000	16,162,822	27,812,822	136,367,845	20.40%
2001	9,305,000	15,421,959	24,726,959	146,528,254	16.88%
2002	11,485,000	8,902,190	20,387,190	152,119,457	13.40%
2003	6,400,000	13,019,188	19,419,188	162,145,212	11.98%

¹Includes General Fund Only
Source: County of Fresno

CITY OF FRESNO, CALIFORNIA
COMPUTATION OF OVERLAPPING DEBT
AS OF JUNE 30, 2003¹

Population (as of January 1, 2003): 448,500
 Assessed Valuation (2002-03 tax year): \$17,668,086,326

Issue	Percent Applicable	Debt Applicable June 30, 2003
City of Fresno Community Facilities District No. 3	100.00 %	\$ 18,180,000
City of Fresno Community Facilities District No. 4	100.00	1,985,000
City of Fresno Community Facilities District No. 5	100.00	2,065,000
State Center Community College District	45.205	9,041,000
State Center Community College District Certificates of Participation	45.205	61,027
Clovis Unified School District	53.887	110,995,310
Clovis Unified School District Certificates of Participation	53.887	12,030,273
Fresno Unified School District	82.887	191,766,320
Fresno Unified School District Lease Tax Obligations	82.887	65,090,000
Fresno Unified School District Certificates of Participation	82.887	15,990,063
Other School Districts	Various	52,367,469
Fresno County Pension Obligations	49.845	75,477,791
Total Overlapping Debt		<u>\$ 555,049,253</u>

Debt Ratios

	Ratio to Assessed Valuation	Per Capita
Assessed Valuation	17,668,086,326	\$ 39,394
Overlapping Debt	3.14 %	\$ 1,238

Comments on Overlapping Debt Statement:

¹Does not include City Revenue Bonds or Parking District Bonds, which are self-supporting.
 Source: California Municipal Statistics, Inc.

CITY OF FRESNO, CALIFORNIA
REVENUE AND GENERAL OBLIGATION BOND COVERAGE
LAST TEN FISCAL YEARS

Annual Principal and Interest Payments

<u>Fiscal Year</u>	<u>Airport Revenue Bonds</u>	<u>Municipal Service Center Lease Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>	<u>Solid Waste Revenue Bonds</u>	<u>Water Revenue Bonds</u>	<u>Total</u>
1993-94	460,849	499,643	7,391,826	622,204	1,448,288	10,422,810
1994-95	¹ 932,000	584,286	12,351,118	624,141	2,621,130	17,112,675
1995-96	372,642	585,845	13,511,843	623,029	4,028,134	19,121,493
1996-97	378,159	592,933	20,393,330	619,186	4,036,666	26,020,274
1997-98	368,484	598,112	20,394,553	623,071	4,031,621	26,015,841
1998-99	368,309	603,775	20,378,188	619,486	3,809,437	25,779,195
1999-00	372,499	607,175	21,833,032	1,675,000	3,809,593	28,297,299
2000-01	3,618,218	608,440	18,233,639	1,842,568	4,067,971	28,370,836
2001-02	2,412,035	613,000	25,713,753	1,844,021	3,809,252	34,392,062
2002-03	2,997,035	525,000	22,283,473	1,848,591	19,676,090	47,330,189

A summary of debt service charges to maturity is included in the Notes to the Financial Statements.

¹Includes \$471,000 of reserve fund used for refunding bond, May 30, 1995.

Source: Schedule of Bonds & Interest Payable

CITY OF FRESNO, CALIFORNIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fresno City</u>			
<u>Year</u>	<u>Population*</u>	<u>Area Sq. Miles</u>	<u>Fresno County** Population</u>
January 1, 1994	391,500	101.01	735,200*
January 1, 1995	395,500	101.02	746,500*
January 1, 1996	400,400	102.11	761,900*
January 1, 1997	406,900	102.10	774,200*
January 1, 1998	411,600	102.72	786,800*
January 1, 1999	415,000	102.11	793,766*
January 1, 2000	420,600	104.61	805,000*
January 1, 2001	441,200	104.85	949,900*
January 1, 2002	441,900	105.08	826,600*
January 1, 2003	448,500	106.04	841,400*

*State of California, Department of Finance Estimate

**Fresno County Area: 5,963 Square Miles

Source: State of California, Department of Finance

CITY OF FRESNO
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

<u>Property Value (1)</u>				<u>Construction Permits Issued (4)</u>			
<u>Fiscal Year</u>	(2) <u>Commercial & Residential*</u>	<u>Exemptions</u>	<u>Total*</u>	<u>Commercial</u>		<u>Residential</u>	
				<u>Number of Units**</u>	<u>Value*</u>	<u>Number of Units**</u>	<u>Value*</u>
1994	13,074,708	(3)	13,074,708	1,052	150,057	4,538	186,833
1995	13,441,278	(3)	13,441,278	1,147	78,289	5,236	185,901
1996	13,852,652	(3)	13,852,652	1,877	118,077	4,960	210,945
1997	14,378,139	(3)	14,378,139	2,193	144,285	3,869	167,165
1998	14,757,565	(3)	14,757,565	2,259	159,209	3,558	205,012
1999	14,777,885	(3)	14,777,885	2,315	146,236	3,524	197,437
2000	15,315,251	(3)	15,315,251	1,720	244,368	4,260	209,258
2001	16,040,139	(3)	16,040,139	1,050	296,675	4,472	239,123
2002	16,907,355	(3)	16,907,355	1,358	150,604	4,815	198,631
2003	17,668,086	(3)	17,668,086	1,524	259,533	6,201	275,223

* Amounts expressed in thousands

** Includes individual units and structures as appropriate--a composite of new construction, alterations, repairs and relocations.

(1) Source: County of Fresno Assessor's Office

(2) Breakdown of Commercial and Residential Property Values not available

(3) Not available

(4) Source: Development Department, City of Fresno

CITY OF FRESNO, CALIFORNIA
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2003

Geographical Location:	219 miles north of Los Angeles, 184 miles south of San Francisco, situated in the center of the San Joaquin Valley.
Date of Incorporation:	October 12, 1885
Date Present Charter Adopted:	April 8, 1957
Form of Government:	Strong Mayor Seven-Member City Council
Term of Office:	Four-year term, elected by voters
Area:	106.04 square miles
Population:	448,500

Year	Land Area - Square miles by Ten-Year Increments		
1970	42.74 square miles		
1980	68.50 square miles; 60.27% increase		
1990	99.38 square miles; 45.08% increase		
2000	104.61 square miles; 5.26% increase		
2003	106.04 square miles; 1.37% increase		
Normal Seasonal Rainfall:	10.60 inches		
Temperature:	Period	High	Low
	July - September:	95.1	62.6
	October - December:	66.0	43.4
	January - March:	60.8	40.4
	April - June:	84.0	53.8
	Annual Average:	76.5	50.1

Miles of Streets:	
Streets (Paved and Unpaved)	1,625.62 miles

Number of Street Lights:	
City Owned	37,298

Water System:	
Miles of Water Mains	1,700
Number of Wells	248
Annual Water Production	53 billion gallons
Daily Average Consumption in Gallons (per capita)	329
Number of On-Service Accounts	118,258

Fire Protection:	
Fire Stations	16
Employees	293
Engine Companies	16
Truck Companies	5
Paramedic Companies	0
Emergency Medical Service Calls	19,050
Total Number of Fire Incidents	10,557

Source: City of Fresno Water and Fire Departments

CITY OF FRESNO, CALIFORNIA
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2003

Police Department:

Police Stations	5
Patrol Bureaus	7
Area Commands	5
Sworn Employees	748
Civilian	391
Number of Law Violations:	
Physical Arrests	45,128
Calls Received for Police Service	405,302
Vehicular Patrol Units	229
Helicopter	3

Culture and Recreation:

Metropolitan Parks (Regional)	3
Neighborhood Parks	32
Zoo	1
Golf Courses	3
Tennis Courts	46
Neighborhood Centers	5
Community Centers	6
Swimming Pools (Includes 4 FUSD pools)	15
Memorial Auditorium, User Groups	70
Memorial Auditorium, Audience	54,000

Municipal Airports:

	<u>Total</u>	<u>Fresno Air Terminal</u>	<u>Chandler</u>
Airports	2	1	1
Number of Acres	2,350	2,150	200
Length of Main Runways	12,424	9,222 ft.	3,202 ft.
Total Aircraft Movements	298,860	245,460	53,400
Annual Fuel Consumption (Gallons)	11,300,663	11,179,560	121,103
Number of Air Carriers Scheduled Per Day (Departures)	7	7	0
Origin and Destination Passengers	1,028,355	1,028,355	0
Origin and Destination Mail (lbs.)	65,183	65,183	0
Origin and Destination Freight (lbs.)	30,104,179	29,853,224	250,955
Total Number Tenant Aircraft	450	204	246
Number of Hangars	400	130	270

Source: City of Fresno Police, Parks and Recreation and Airport Departments